Reliable Public Power Provider

Brownsville All-America City 2014

BROWNSVILLE
PUBLIC UTILITIES BOARD

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

Comprehensive Annual Financial Report
For the Fiscal Years Ended
September 30, 2016 and 2015

2016

Front cover top:

1) *Welcome sign on State Highway 48 owned by The City of Brownsville and The Brownsville Navigation District of Cameron County.*

Front cover bottom, from left to right:

2) *Electric utility workers boldly stand, prepared to meet the challenges of the day.*
3) *Employees David Ramirez Jr., PE, Senior Engineer, and Omar Anzaldua Jr., PE, Engineering Manager, seen with newly installed system that will mitigate foul sewage odor emissions at our South Wastewater Treatment Plant.*

BROWNSVILLE
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For the Fiscal Years Ended September 30, 2016 and 2015

RP3 Reliable Public Power Provider

Brownsville All-America City 2014

Prepared by:
Finance Division

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

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

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Introductory Section

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BROWNSVILLE
PUBLIC UTILITIES BOARD

March 13, 2017

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, 2016. 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 Carr, Riggs & Ingram, L.L.C. (formerly Long Chilton, 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 Carr, Riggs & Ingram, L.L.C., is to provide reasonable assurance that the financial statements of the Public Utilities Board for the fiscal year ended September 30, 2016, 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. Carr, Riggs & Ingram, L.L.C., concluded, based upon the audit, that there is a reasonable basis for rendering an unmodified opinion. The Public Utilities Board's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This

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letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Public Utilities Board's MD&A can be found immediately following the report of the independent auditors.

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

PROFILE

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

The **Electric System** provides retail electric service through its electric facilities to consumers inside and outside the city limits. The existing customer service area of the electric facilities encompasses approximately 133 square miles of Cameron County, including substantially the entire City (estimated by the Public Utilities Board at over 96%). The electric system serves a growing base of about 48,196 customers and serves a peak load of 291 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 Oklaunion Unit No. 1, a coal-fired steam electric generating unit jointly owned and operated by Public Service Company of Oklahoma, AEP Texas Central Company, Oklahoma Municipal Power Authority, 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 fired capability of 115 MW), (iii) the operation of the Calpine/Hidalgo combined cycle Power Plant in which the Public Utilities Board has an ownership interest entitling it to 105 MW of capacity, (iv) a Power Purchase Agreement with Excelon Corporation entitling the Public Utilities Board to purchase 78 MW of renewable energy and (v) economy energy purchases through an economy power interchange arrangement.

The Public Utilities Board currently has a gas transportation agreement with Texas Gas Services ("TGS"), a division of One Gas and a gas supply agreement with Tenaska Marketing Ventures ("TMV") for service to its Silas Ray Generation units, and a gas supply agreement with Calpine Energy Services, LP for service to its Calpine/Hidalgo Plant.

Fuel and transportation contracts 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 187 million gallons total capacity, and a raw water transport system. Surface water treatment is achieved by two water treatment plants providing 40 million gallons per day (MGD) of total capacity (20 MGD treatment capacity each). Two clear wells provide 6.84 million gallons storage capacity, and 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 676 miles of transmission and distribution mains. The Public Utilities Board mainly sells to residential and commercial customers, but also sells treated water on a wholesale basis to two other water distribution companies that amount to approximately 4.61% of sales. The Public Utilities Board partnered with the Southmost Regional Water Authority (the Authority) and built a 7.5 million gallon per day reverse osmosis water treatment plant of which the Public Utilities Board has 92.91% ownership. The Authority's plant completed an expansion in November 2015 to provide microfiltration pretreatment and a total production capacity up to 10 MGD. The Authority's plant includes a 7.5 million gallon storage tank and one high service pumping station.

The Public Utilities Board has an annual allocation of municipal priority water rights from the Texas Commission on Environmental Quality (TCEQ) in the amount of 31,442.380 acre-feet of water, which is dependent upon inflow to the Falcon and Amistad Reservoirs, providing 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 is subject to regulation of water quality by the TCEQ. The Public Utilities Board presently has a "Superior" water system as determined in accordance with current TCEQ regulations.

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

The **Wastewater System**, consisting of collection and treatment facilities, includes gravity wastewater collection lines, 174 pumping/lift stations and two treatment plants. Wastewater is transported by pumping stations and associated force mains to one of two wastewater treatment plants – the Robindale Plant or the South Plant. The Robindale Plant was designed to treat 5 MGD in 1980 and expanded to a capacity of 10 MGD in 1995. The Robindale renovation and expansion project completed on July 25, 2014 increased the treatment capacity to 14.5 MGD. The Robindale Plant provides secondary waste treatment utilizing a Modified Ludzack-Ettinger (MLE) process (anoxic and aerobic with an internal nitrate cycle) of activated sludge, turbo blowers (with magnetic bearings) with auto dissolved oxygen control, secondary settling, ultra-violet light system (as alternate source of disinfection), effluent cascade aeration system, sludge thickening, aerobic digestion, mechanical sludge dewatering (via 2-meter belt filter press), a SCADA (Supervisory Control and Data Acquisition) system, and land disposal of sludge (Dedicated Land Disposal Site of 137 Acres). 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 to include complete-mix. In 2000, the plant was expanded to 12.8 MGD. The

treatment process was changed to activated sludge and the anaerobic digesters were converted to use the aerobic process. Sludge is thickened and disposed of at a Dedicated Land Disposal (DLD) site.

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

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

Mission Statement

By 2018, the Public Utilities Board will be the foundation for our community's future by providing reliable infrastructure, competitive rates, and exceptional customer service.

Strategic Plan

In 2008, the Public Utilities Board launched the 2008-2013 Strategic Plan, which identified issues and strategies required to reach defined goals and to move the organization toward its Mission/Strategic Destination. For the past five years, the Strategic Plan has inspired stronger interdepartmental communication and cooperation, and increased employee involvement in the Public Utilities Board's planning culture.

During 2012-2013, the Public Utilities Board updated its Strategic Plan to identify the key issues that continue to influence the utility's efforts over a five year period of 2013-2018. The updated Strategic Plan was adopted by the Public Utilities Board on December 9, 2013.

The Public Utilities Board's Strategic Plan continues to promote strategies about the workforce, internal and external communications, and business processes that continue to be important areas in which to focus the utility's efforts. Issues identified in the updated strategic plan revolve around the Public Utilities Board's infrastructure and corporate culture. The issues identified in the 2013-2018 Strategic Plan support the Public Utilities Board's Mission Statement of being the foundation for our community's future by providing reliable infrastructure, competitive rates, and exceptional customer service.

The following table summarizes each of the Public Utilities Board's five priority issues, goals, and strategies as identified in the Strategic Plan for implementation.

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SUMMARY – ISSUES, GOALS & STRATEGIES

	ISSUE	GOAL	STRATEGIES
1)	We must address our growing infrastructure and business demands.	BPUB will have the necessary infrastructure to effectively provide reliable and exceptional service at competitive rates.	1. Optimizing and integrating the use of technology increases efficiency. 2. Environmental stewardship enables the community to conserve resources. 3. Preventative maintenance programs improve quality and reliability. 4. A business plan builds the foundation for a successful natural gas utility system. 5. Adequate infrastructure provides reliable service, supports a growing community, and is in alignment with the Greater Brownsville Infrastructure Development Plan.
2)	A skilled and knowledgeable workforce must be attracted, developed, and retained.	BPUB will become the employer of choice by offering competitive salaries, benefits, and career development plans for employees.	1. Identifying and addressing employee needs retains a talented and skilled workforce. 2. A competitive compensation package supports employee recruitment and retention. 3. A competitive benefits package supports employee recruitment and retention. 4. A leading recruitment program attracts the most qualified workforce. 5. Effective HR systems increase the HR Department's productivity in attracting, retaining, and developing the workforce.
3)	We must challenge how we work to improve our processes.	Key processes meet and exceed process performance measures.	1. Creating an inventory of key processes builds the foundation for improved organizational performance. 2. Streamlining existing key processes improves efficiency and effectiveness. 3. Defining and documenting processes enhances organizational performance. 4. Implementing revised key processes enables consistency and increases work quality.

4)	We must improve our communications.	BPUB will expand and enhance customer and stakeholder understanding of BPUB's value to the community. BPUB will communicate Board and Management decisions to help employees understand the reasoning behind those decisions and create an avenue for employees to provide feedback.	1. Identifying our external audiences, methods, and messages will establish effective communications. 2. Effective and open internal communications improves employee relations and morale. 3. Making the most of every customer contact improves customer relations. 4. Sharing information with key stakeholders about issues, projects, and achievements improves their knowledge and support of BPUB. 5. Partnering and participating in community organizations and events promotes goodwill and enhances BPUB's image.
5)	A value-driven corporate culture must be developed and maintained.	All BPUB employees know, understand and incorporate the core values in their daily work routines.	1. Developing and maintaining a positive work culture and environment builds employee satisfaction and success. 2. Engaging leadership leads to sustainable cultural change. 3. Integrating our core values within our business practices drives cultural change.

In 2014, Brownsville was named an All-America City by the National Civic League (NCL). The All-America City award recognizes "cities where citizen action has succeeded in making the community a better place to live." The city commission, city staff and collaborative partners, including the Public Utilities Board, successfully illustrated the premise of the U.S. Healthy Communities movement, with projects or initiatives aimed at addressing the underlying conditions that affect the health of communities. The Public Utilities Board's role included highlighting the annual Connect to Wellness fitness event and the future development of outdoor activity spaces as envisioned by community partners of the Public Utilities Board's Resaca Restoration Project.

In 2014, the Public Utilities Board was one of 184 of the nation's more than 2,000 public power utilities to earn the Reliable Public Power Provider (RP3®) designation from the American Public Power Association (APPA) for providing consumers with the highest degree of reliable and safe electric service. The RP3 designation recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development and system improvement. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

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 estimated population for 2016 was 184,865. The demographics of Brownsville's population can be summed up as young and fast growing. The median age is 30.6 years versus a national average of 37.6 years. About 44% of all persons in the City are younger than 18 years of age.

Reporting Entity

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

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

Major Initiatives

Villanueva Colonia Project

On June 21, 2012, the Texas Water Development Board (TWDB) awarded the Public Utilities Board a grant commitment for $2,000,000, from the Economically Distressed Areas Program (EDAP), to fund the construction of the Villanueva Colonia Wastewater Improvement Project. This project provides first-time access to the public utility sewer system for residents in the Villanueva Colonia Project areas. The collection system was designed based on a build-out population to the year 2030 with a population of 401 persons requiring 108 connections. The collection system consists of approximately 6,276 linear feet of wastewater collection lines ranging in size from 8 inch-15 inch PVC. The collection system ties into existing Public Utilities Board Lift Station No. 109, which based on calculations, has sufficient capacity for the area. The project was completed in February 2016 with a final project cost of $2,045,987.

Farm to Market (FM) 511-802 Colonias Project

The Public Utilities Board and the TWDB finalized the design on the FM 511 and 802 Wastewater Improvement Project. 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. 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 EDAP. TWDB performed an Environmental Review of the FM 511 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 TWDB Rules. The construction phase consists of: 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 project was substantially complete in December 2016. Through November 30, 2016 TWDB has funded $23,176,394 of project costs while the Public Utilities Board has paid $840,000 in project costs. The Public Utilities Board has secured $3.7 million from the Border Environment Cooperative Council for service connections to the sewer lines. Estimated completion date of these connections is April 2018.

Brownsville Seawater Desalination Pilot Plant Study

In 2006, due to 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 by the TWDB. 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 seawater desalination pilot plant study was completed in 2008.

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 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 MGD production and demonstration facility that would eventually be expanded into the full-scale 25 MGD facility originally envisioned. The Public Utilities Board proposes to implement the first phase of the project by installing a 2.5 MGD 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 MGD production capacity. The cost of the proposed initial phase is $60.0 million. The proposed 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 as initially planned is approximately eight river miles downstream of the Gateway International Bridge in Brownsville. The reservoir may extend about 42 river miles within the banks of the Rio Grande River through mostly urbanized areas. The average width of the pool would be 110 feet and the maximum water depth is 26 feet above mean sea level. The Brownsville-Matamoros

Weir and Reservoir may 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 may be an increase of approximately 35.7 MGD. This project is on hold pending future financing determinations by Mexico and the Public Utilities Board. Federal grants from the Environmental Protection Agency (EPA) for this project were approved for use on the Public Utilities Board's Robindale Wastewater Treatment Plant expansion completed during July 2014.

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 was 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 was to control and reduce iron levels to eliminate potential complaints of colored water. Project objectives also included an additional 2.5 MGD of capacity through upgrading certain pumps within the existing well field and adding two additional reverse osmosis trains.

The project was completed in November 2015 with a final construction cost of $13,141,428

Resaca Restoration Project

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

The project scope was implemented in phases. Phase One included dredging several segments of the Town Resaca system. These segments included the City Cemetery resaca, Dean Porter Park resaca, the Gladys Porter Zoo resaca, and the Resaca Boulevard resaca. The Public Utilities Board began by undertaking planning studies and submitting proposed plans to the U.S. Army Corps of Engineers and the TCEQ. Phase One work began on March 2013. The dredged sediment handling process consists of a series of treatment components designed specifically to remove the solid material from the dredged slurry extracted from the resacas, leaving essentially clean water for discharge back into the resacas. Multiple separators remove and stockpile coarse debris and sand particles which are then hauled from the processing site to appropriate disposal areas.

The Public Utilities Board contributed $5.97 million in equipment and other costs and O&M funding for staff, engineering and other services for the dredging of the resacas.

Cemetery Resaca Bank Improvements Project

Upon completion of dredging at the City Cemetery resaca, the Public Utilities Board proceeded with completion of the Cemetery Resaca Bank Improvements Project which included bank improvements, storm water management, water quality monitoring and educational outreach. The design included the development of a shallow-sloped bank, stabilized with native vegetation to provide habitat for local and migratory birds and other wildlife while preventing erosion and associated sediment loadings into the waterway. This project re-graded and re-vegetated the resaca bank to a more natural profile and to reduce future sediment loading from runoff and erosion. Further, the vegetation along the banks, combined with the use of filtration ponds and buffer areas, will help "treat" storm water runoff from surrounding roadways and developed areas before draining into the resaca and eventually the Gulf of Mexico. Educational signage provides visitors with information on the history and function of resacas, their role as a freshwater source to the Gulf of Mexico, the impacts of urban runoff, and information about local wildlife that utilize the resacas for food, water and habitat.

The Cemetery Resaca Bank Improvements Project's costs were $735,590. The Public Utilities Board received a Grant Award from the EPA - Gulf of Mexico Program of $300,000 and from the Brownsville Community Improvement Corporation in the amount of $100,000. The balance of the project was funded with in-kind contributions. The project was completed in July 2016.

Filter System Rehabilitation at Water Treatment Plants No. 1 and 2 Project

On February 13, 2012, the Public Utilities Board approved funding for the Filter System Rehabilitation at Water Treatment Plants No. 1 and 2 Project. Freese & Nichols, Inc. was hired to evaluate the filters and their associated components at both water treatment plants. Freese and Nichols, Inc.'s contract for the design and the preparation of plans and specifications for the Rehabilitation of the Filter Systems at Water Treatment Plants No.1 and 2 was executed February 27, 2013. Freese & Nichols, Inc. provided final plans and specifications for the replacement of the filters at both water treatment plants (eight filters at Water Treatment Plant No. 1 and eight filters at Water Treatment Plant No. 2), which entailed the replacement of the existing under drain systems, installation of an air backwash system including piping, air release valves for the backwash lines, redundant backwash facilities, canopy type covers for the unenclosed filters at Water Treatment Plant No. 1, replacement of the filter media, increasing the depth of the filter media, coating the interior concrete of each filter cell, the replacement of instrument air filters, the replacement of instrumentation air piping, air blowers with ventilated blower buildings at each plant, new backwash pumps at Water Treatment Plant No. 1 and No. 2, new high service pump at Water Treatment Plant No. 1's high service pump Station No. 2 which includes a new motor and variable frequency drive (VFD), a new motor and VFD at Water Treatment Plant No. 2's high service pump station, and associated electrical and instrumentation related to the filter improvements and high service pump station modifications at both Water Treatment Plants No. 1 and No. 2. Project costs through November 2016 were $8.29 million. The project was substantially complete in July 2016.

Martinal-FM 511 Waterline Loop

The Public Utilities Board completed a waterline loop from the Martinal Elevated Storage Tank No. 7 to FM 511 near the Rio Del Sol Subdivision. This project eliminated dead end mains by looping the waterline system, thereby improving water circulation, water quality, and pressure flow. The project's construction cost was $1.16 million. Construction was completed in April 2015.

Proposed New Electric Generation Station

On January 28, 2013, the Public Utilities Board and Tenaska Power Services Co. ("Tenaska"), an independent energy company based in Omaha, Nebraska, announced that they had entered into a development and purchase agreement which entitles the Public Utilities Board to purchase an ownership interest in an 800 MW natural gas-fueled combined-cycle electric generating plant that Tenaska plans to build on 270 acres in the north Brownsville area. The agreement permits the Public Utilities Board to receive 200 MW of electricity from the plant, which is an amount sufficient to meet the needs of approximately 100,000 homes in Brownsville. The plant (which is generally referred to by parties as the Tenaska Brownsville Generating Station) will use water from the Public Utilities Board's Robindale Wastewater Treatment Plant. Under the agreement, the Public Utilities Board will be required to construct a water pipeline from the treatment plant to the electric plant (approximately five miles) and a gas transmission pipeline to transport natural gas from the Edinburg area (approximately 50 miles). Construction of the plant, which is estimated to take 22 to 26 months to complete, is subject to Tenaska's receipt of all required permits and securing contracts with customers to purchase the remaining power from the plant. The Public Utilities Board expects that the City will need to issue approximately $225,000,000 in principal amount of additional debt to finance its portion of costs related to the construction of the plant. No decisions have been made as to whether Tenaska will proceed with constructing the proposed Tenaska Brownsville Generating Station, but issuing approximately $225,000,000 of additional obligations to finance the City's portion of the new facility would result in a significant increase in the Public Utilities Board's total outstanding indebtedness (i.e., approximately 72% over current outstanding debt).

Power Purchase Agreement

On January 23, 2014 the Public Utilities Board entered into a Power Purchase Agreement ("PPA") with Sendero Wind Energy, LLC ("SWE") which entitles the Public Utilities Board to purchase 78 MW of renewable electric energy. On December 19, 2014, Excelon Corporation acquired the Sendero Wind Energy Project. The PPA shall remain in full force and effect until the twenty-fifth (25^{th}) anniversary of the commercial operation date. Excelon developed, constructed, owns, operates, and maintains the facility, which consists of thirty-nine (39) General Electric 2.0 MW wind turbines and associated equipment having a designed output of approximately 78 MW. Excelon achieved commercial operation of the facility during December 2015. Excelon started delivering to the Public Utilities Board the full energy output of the facility.

New Public Utilities Board Service Yard

The Brownsville Public Utilities Board is currently in the design phase of a new service yard to be located on FM 511 adjacent to the Southmost Regional Water Authority Water Treatment Plant. The new service yard will replace, consolidate and relocate thirteen existing facilities and the operations service center. It will provide a state of the art facility which will enhance employee performance and improve systems

efficiency. This project is aligned with the Public Utilities Board Strategic Plan Issue 1 to address growing infrastructure and business demands.

Underground Electrical Line Upgrades

The Public Utilities Board completed the replacement of underground electrical lines in the Land of Lakes area with service to over 800 customers. There were approximately 300 pit excavations and over 47,000 feet of cable installed. The project was completed in September 2016.

Upon completion of the Land of Lakes project, work began on replacing approximately 180,000 feet of underground electrical lines in the Brownsville Country Club area which serves over 2,000 customers. The expected completion date of this project is December 2019.

Downtown Market Square Utility Improvements

As part of the City of Brownsville's Market Square Revitalization Project, the Public Utilities Board is assisting with electric and wastewater utility improvements. The projected cost of these utility improvements is $1.39 million. The estimated completion date of this project is March 2017.

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, 2021. The electric capital improvement plan identifies approximately $113.9 million in generation, transmission, and distribution projects; $54.6 million are projected to be bond financed. The water capital improvement plan identifies approximately $48.3 million in projects, of which approximately 77.82% are projected to be bond financed while the wastewater capital improvement plan identifies approximately $69.4 million in projects, of which approximately 85.77% are projected to be bond financed.

On May 17, 2016, the Public Utilities Board issued $39,410,000 in Utilities System Revenue Refunding Bonds, Series 2016. The bonds provided proceeds to refund $42,505,000 of Series 2008 Revenue Refunding Bonds.

CASH MANAGEMENT POLICIES AND PRACTICES

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

During FY 2016, the Public Utilities Board's cash portfolio earned an average yield of 0.63%. The Public Utilities Board's cash deposits at September 30, 2016, were entirely covered by the Federal Deposit

Insurance Corporation or were secured by collateral held by the Bank of New York Mellon in the Public Utilities Board's name, pursuant to the Public Utilities Board's Investment Policy and its Depository Agreement.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Utilities Board for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the tenth 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Utilities Board of the City of Brownsville Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

PRINCIPAL OFFICIALS

Board Members

Nurith Galonsky, Chair
Rafael Vela, Vice-Chair
Rafael S. Chacon, Secretary/Treasurer
Edna Oceguera, Member
Martin C. Arambula, Member
Armando Magallanes, 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

Trevino & Bodden, L.L.P.
Brownsville, Texas

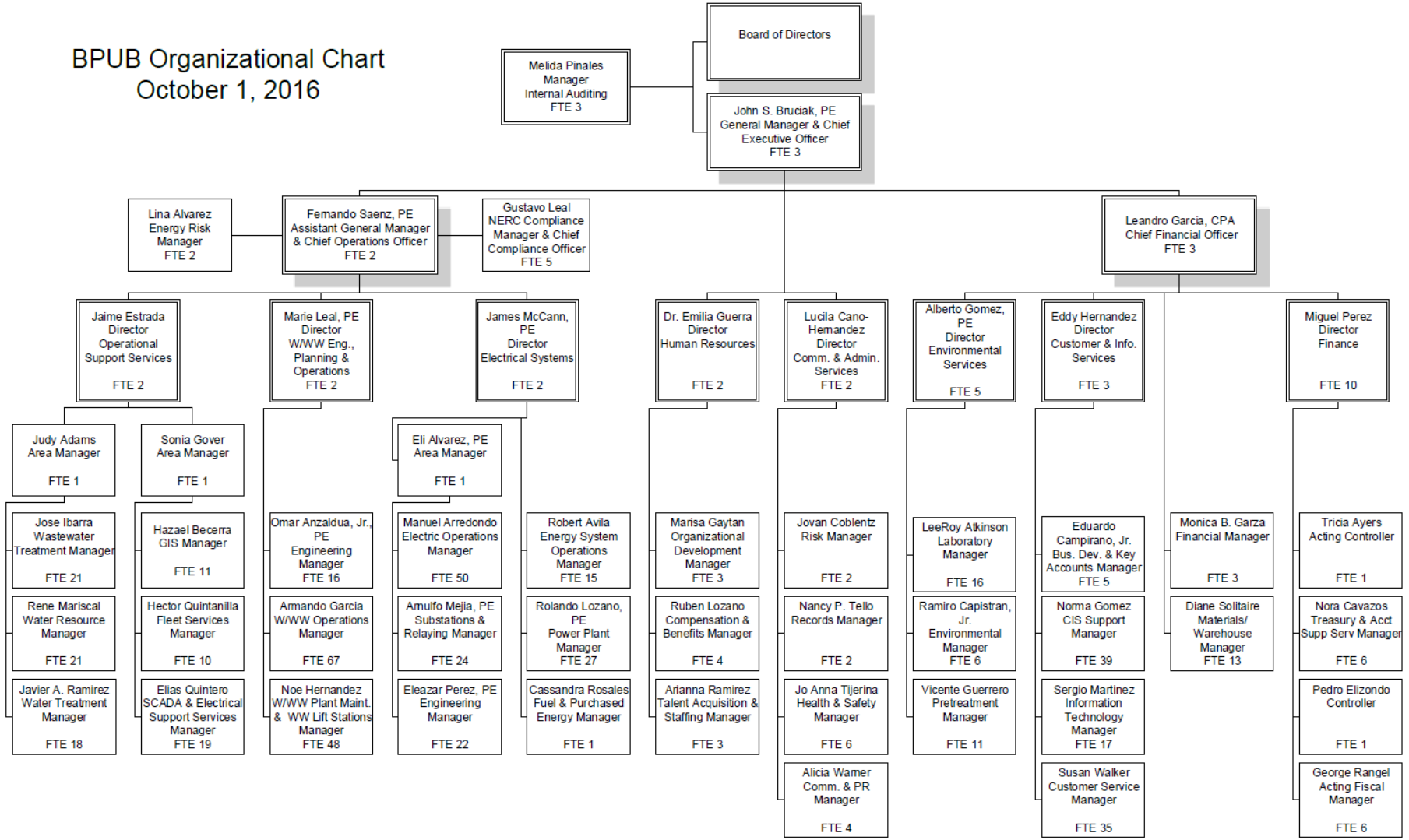
Davidson Troilo Ream & Garza, P.C.
San Antonio, Texas

Carr, Riggs & Ingram, L.L.C.
Brownsville, Texas

Estrada Hinojosa & Company, Inc.
Dallas, Texas

Andrews Kurth, L.L.P.
Houston, Texas

BPUB Organizational Chart
October 1, 2016



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FINANCIAL SECTION

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CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
3125 Central Boulevard
Brownsville, Texas 78520

(956) 546-1655
(956) 546-0377 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Public Utilities Board of the City of Brownsville, Texas ("Public Utilities Board"), a component unit of the City of Brownsville, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Public Utilities Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Public Utilities Board as of September 30, 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Public Utilities Board as of and for the year ended September 30, 2015, were audited by other auditors whose report dated January 26, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14 and the schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of funding progress on pages 64-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Public Utilities Board's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements

The schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, 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* in considering Public Utilities Board's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
March 10, 2017

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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, 2016 and 2015. Please read it in conjunction with the financial statements that follow this section.

Overview of Annual Financial Report

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

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

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Public Utilities Board's recovery of its costs.

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

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

Financial Analysis

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

Financial Condition

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

The Public Utilities Board's assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by $483.2 million at the close of fiscal year 2016. Net position increased by $7.1 million or 1.5% compared to the previous fiscal year. This increase in net position is a good indicator that the Public Utilities

Board's financial health continues to progress. Net position in net investment in capital assets totaled $311 million and $308 million for fiscal years 2016 and 2015, respectively.

The restricted net position of $143.7 million and $117.1 million for fiscal years 2016 and 2015, respectively, is subject to external restrictions on how it may be used. The remaining balances of unrestricted net position, totaling $28.8 million and $51.0 million for fiscal years 2016 and 2015, respectively, may be used to meet the Public Utilities Board's ongoing obligations. The Public Utilities Board's changes in net position are further analyzed below in Table A-1 and Table A-2.

The City Commission adopted a five-year rate proposal on December 17, 2012 that included increases sufficient to meet projected costs and debt coverage requirements. Rates were increased effective April 1, 2013 for the electric utility and subsequent rate increases have effective dates of October 1, 2013, October 1, 2014, October 1, 2015 and October 1, 2016.

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

Net Position

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

TABLE A-1
STATEMENTS OF NET POSITION
September 30, 2016, 2015 and 2014
(in millions of dollars)

	2016	2015	2014
Current and other assets	$ 238.8	$ 218.8	$ 207.0
Capital assets	641.1	644.9	639.8
Total assets	879.9	863.7	846.8
Deferred outflows of resources	32.0	24.3	17.2
Total assets plus deferred outflows of resources	911.9	888.0	864.0
Current liabilities	52.0	45.4	61.5
Long-term liabilities	374.0	364.5	343.6
Total liabilities	426.0	409.9	405.1
Deferred inflows of resources	2.7	2.0	1.3
Total liabilities plus deferred inflows of resources	428.7	411.9	406.4
Net position:			
Investment in capital assets	310.7	308.0	297.5
Restricted	143.7	117.1	104.0
Unrestricted	28.8	51.0	56.1
Total net position	$ 483.2	$ 476.1	$ 457.6

The Public Utilities Board's net position as of September 30, 2016 increased 1.5% to $483.2 million and increased 4.0% to $476.1 million as of September 30, 2015. The increases in 2016 and 2015 are attributed to income earned on operations of the utility system and to receipt of grant funds reported as capital contributions.

In fiscal year 2015, the Public Utilities Board adopted and implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68,* and recorded a prior period adjustment to reflect the effects of the guidance. The net effect of the transaction caused the restatement of net position previously recorded in 2014.

TABLE A-2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For Fiscal Years Ended September 30, 2016, 2015 and 2014
(in millions of dollars)

	2016	2015	2014
Operating revenues - sales	$ 202.7	$ 202.9	$ 187.2
Investment and interest income	1.2	0.8	0.5
Non-Operating revenue	0.5	1.6	1.2
Total revenues	204.4	205.3	188.9
Purchased power and fuel	66.0	65.2	66.9
Personnel services	49.1	33.3	32.8
Materials and supplies	7.0	7.3	7.4
Repairs and maintenance	2.7	3.0	3.7
Contractual and other services	24.4	21.5	19.2
Depreciation expense	29.1	29.5	28.4
Interest expense	14.7	14.5	15.1
Loss on disposition of capital assets	1.0	3.6	1.0
Payments to the City of Brownsville	9.8	9.0	7.6
Total expenses	203.8	186.9	182.1
Changes in net position before capital contibutions	0.6	18.4	6.8
Capital contributions	6.5	13.0	18.7
Change in net position	7.1	31.4	25.5
Beginning net position	476.1	457.6	432.1
Prior period adjustment	-	(12.9)	-
Beginning net position, as restated	476.1	444.7	432.1
Ending net position	$ 483.2	$ 476.1	$ 457.6

While the Statements of Net Position show the yearly change in financial position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. In 2016, the Public Utilities Board had a decrease in operating revenues of $0.2 million due to a combination of utility system revenue increases and decreases. Operating revenues for fiscal year 2016 decreased only slightly from the prior year. Investment earnings increased $0.4 million from fiscal year 2015 and $0.3 million from fiscal year 2014. Non-operating revenue decreased $1.1 million from prior year. Capital contributions decreased by $6.5 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 2016 were increases in personnel services of $15.8 million, an increase in purchased power and fuel of $0.8 million, and a decrease in the loss on disposition of capital assets of $2.6 million. The increase in personnel services can be attributed to an increase in pension expense and benefits. Overall, the Public Utilities Boards net position increased $7.1 million in 2016.

In 2015, the Public Utilities Board had an increase in operating revenues of $15.7 million due to a combination of utility system revenue increases and decreases. Some notable changes in operating revenues for 2015 include an increase of $20.1 million in residential and commercial electric operating revenues due to increases in the Fuel Purchased Energy Charge (FPEC) to recover increased purchased power and fuel requirements; rate increases that became effective on October 1, 2014; an increase of $1.5 million in sales for resale and other ancillary services; and a decrease of $250,000 in water and wastewater operating revenues due to decreased customer consumption. In 2015 the Public Utilities Board received an insurance settlement in the amount of $1.1 million for plant outages in 2012. Capital contributions decreased by $5.7 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 2015 were increases in contractual and other services of $2.3 million; an increase in loss on disposition of capital assets of $2.6 million; and an increase in payments to the City of Brownsville of $1.4 million. Overall, the Public Utilities Boards net position increased $18.5 million in 2015.

Capital Assets

At the end of 2016 and 2015, the Public Utilities Board's net capital assets in Table A-3 of $641.1 million and $644.9 million, respectively. This represents a 0.6% or a $3.8 million decrease, and a 0.8% or a $5.1 million increase, respectively, for fiscal year 2016 and 2015.

TABLE A-3
CAPITAL ASSETS
September 30, 2016, 2015 and 2014
(in millions of dollars)

	2016	2015	2014
Land	$ 27.6	$ 26.1	$ 25.2
Plant	746.3	737.8	715.2
Buildings and structures	92.4	89.9	75.2
Improvements other than buildings	48.6	45.9	45.9
Equipment	133.0	125.1	119.3
Construction in progress	88.7	91.3	112.0
Subtotal	1,136.6	1,116.1	1,092.8
Less accumulated depreciation	(495.5)	(471.2)	(453.0)
Net capital assets	$ 641.1	$ 644.9	$ 639.8

The following is a summary of some of the major improvements to the utility system during fiscal year 2016:

- $2.0 million in Electric Steam Production Projects
- $5.1 million in Electric Transmission and Distribution Projects
- $0.07 million in Electric General Projects
- $1.2 million in Water Distribution and Supply Projects
- $2.4 million in Wastewater Collection and Pumping Projects
- $1.7 million in General Facility Projects

The following is a summary of some of the major improvements to the utility system during fiscal year 2015:

- $2.6 million in Electric Steam Production Projects
- $2.8 million in Electric Transmission and Distribution Projects
- $1.8 million in Electric General Projects
- $4.1 million in Water Distribution and Supply Projects
- $33.1 million in Wastewater Collection and Pumping Projects
- $0.3 million in General Facility Projects

At September 30, 2016 and 2015, the Public Utilities Board had contractual obligations totaling approximately $13,236,008 and $18,287,773, 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 34-35 of this report.

Debt Administration

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

TABLE A-4
OUTSTANDING DEBT
September 30, 2016, 2015 and 2014
(in millions of dollars)

	2016	2015	2014
Revenue bonds, net	$ 345.6	$ 356.2	$ 349.8
Commercial Paper	7.0	-	13.0
Total	$ 352.6	$ 356.2	$ 362.8

Additional information on the Public Utilities Board's debt can be found in Notes 5 and 6 on pages 36-45 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, 2016 and 2015 were $308,804,000 and $325,352,000, 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 2.40 and 2.78 times at September 30, 2016 and 2015, respectively.

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

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

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

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

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

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

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

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

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

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 2016 and 2015 contributions to the Authority were $6,155,725 and $5,738,013, respectively. The Public Utilities Board's participation in the Authority's desalination project provides the City with an alternate, long-term, drought-resistant source of drinking water.

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

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

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

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)
Statements of Net Position
September 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	$ 13,866,339	$ 17,388,130
Investments	32,902,513	33,272,295
Receivables:		
Fees and services, net of allowance for uncollectible accounts of $426,041 and $747,531 in 2016 and 2015, respectively	26,884,759	27,021,238
Intergovernmental	1,031,803	1,726,949
Accrued interest receivable	290,539	217,446
Inventories	10,722,092	12,707,550
Prepaids	1,237,627	818,732
Total unrestricted current assets	86,935,672	93,152,340
Current restricted assets:		
Cash and cash equivalents	3,741,927	1,686,638
Investments	145,626,918	120,925,178
Total restricted current assets	149,368,845	122,611,816
Total current assets	236,304,517	215,764,156
Non-current assets:		
Capital assets, net of accumulated depreciation	641,099,073	644,891,122
Unamortized regulatory assets	2,532,550	3,028,289
Total non-current assets	643,631,623	647,919,411
Total assets	879,936,140	863,683,567
Deferred Outlfows of Resources		
Deferred charge on refunding	20,993,617	17,362,665
Deferred charge - fuel cost under recovery	-	3,110,446
Unrealized contributions and losses related to pension	11,011,401	3,854,651
Total deferred outflows of resources	32,005,018	24,327,762
Total assets plus deferred outflows of resources	$ 911,941,158	$ 888,011,329

Continued

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Statements of Net Position - Continued
September 30, 2016 and 2015

Liabilities	**2016**	**2015**
Current liabilities:		
Accounts payable	$ 16,229,882	$ 17,591,319
Accrued vacation and sick leave	6,140,311	6,008,007
Due to primary government	2,748,853	2,772,669
Self insurance worker's compensation claims	90,870	143,657
Total unrestricted current liabilities	25,209,916	26,515,652
Current liabilities payable from restricted assets:		
Accounts payable and accrued liabilities	503,649	358,434
Accrued interest	1,169,743	1,262,928
Customer deposits	3,863,989	3,763,074
Current portion of revenue bonds payable	14,239,000	13,453,000
Commercial paper	7,000,000	-
Total current liabilities payable from restricted assets	26,776,381	18,837,436
Total current liabilities	51,986,297	45,353,088
Non-current liabilities:		
Revenue bonds payable net of unamortized premium	331,348,392	342,796,806
Other post-employment benefits	8,674,722	7,866,350
Net pension liability	33,941,014	13,816,408
Self insurance worker's compensation claims	42,425	69,077
Total non-current liabilities	374,006,553	364,548,641
Total liabilities	425,992,850	409,901,729
Deferred Inflows of Resources		
Deferred credit - fuel cost over recovery	303,078	-
Unrealized contributions and losses related to pension	2,383,320	2,009,154
Total deferred inflows of resources	2,686,398	2,009,154
Total liabilities plus deferred inflows of resources	428,679,248	411,910,883
Net Position		
Net investment in capital assets	310,655,228	308,013,036
Restricted for:		
Debt service	3,576,530	3,513,044
Repair and replacement	110,290,480	86,247,310
Operating reserve	17,000,223	17,000,180
Fuel adjustment subaccount	11,475,000	9,000,000
Capital projects	1,454,010	1,359,583
Unrestricted	28,810,439	50,967,293
Total net position	483,261,910	476,100,446
Total liabilities, deferred inflows of resources, and net position	$ 911,941,158	$ 888,011,329

See accompanying notes to financial statements.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Sales and service charges	$ 207,550,223	$ 207,767,498
Less utilities service to the City of Brownsville, Texas	(4,804,112)	(4,809,741)
Total operating revenues	202,746,111	202,957,757
Operating expenses:		
Purchased power and fuel	65,976,964	65,220,979
Personnel services	49,076,784	33,302,525
Materials and supplies	6,960,626	7,347,093
Repairs and maintenance	2,666,119	2,983,094
Contractual and other services	24,443,206	21,521,617
Depreciation	29,063,661	29,507,267
Total operating expenses	178,187,360	159,882,575
Operating income	24,558,751	43,075,182
Nonoperating revenues (expenses):		
Investment and interest income	1,202,314	841,219
Interest expense	(14,743,208)	(14,509,231)
Loss on disposition of capital assets	(1,019,326)	(3,577,605)
Other	457,298	1,598,769
Payments to City of Brownsville	(9,822,602)	(9,040,104)
Net nonoperating revenues (expenses)	(23,925,524)	(24,686,952)
Income before capital contributions	633,227	18,388,230
Capital contributions	6,528,237	12,965,169
Change in net position	7,161,464	31,353,399
Net position, beginning of year	476,100,446	457,590,350
Prior period adjustment	-	(12,843,303)
Net position, beginning of year as restated	476,100,446	444,747,047
Net position, end of year	$ 483,261,910	$ 476,100,446

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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers	$ 215,766,161	$ 209,615,249
Cash payments to suppliers for goods and services	(94,997,366)	(115,457,036)
Cash payments to employees for services	(49,153,373)	(32,529,756)
Net cash provided by operating activities	71,615,422	61,628,457
Cash flows from non-capital financing activities:		
Payments to City of Brownsville	(9,846,418)	(8,629,861)
Net cash (used in) non-capital financing activities	(9,846,418)	(8,629,861)
Cash flows from capital and related financing activities:		
Bond proceeds	-	20,000,000
Commercial paper proceeds	7,000,000	7,000,000
Commercial paper payments	-	(20,000,000)
Principal paid on capital debt - bond issues	(13,453,000)	(13,306,000)
Interest paid on capital debt	(14,836,393)	(14,478,950)
Capital contributions	5,885,230	8,813,935
Acquisition and construction of capital assets	(24,628,606)	(30,475,800)
Net cash (used in) capital and related financing activities	(40,032,769)	(42,446,815)
Cash flows from investing activities:		
Interest received	1,129,221	775,269
Purchases of investment securities	(642,385,368)	(503,934,813)
Proceeds from sales of investment securities	618,053,410	491,186,949
Net cash (used in) investing activities	(23,202,737)	(11,972,595)
Net (decrease) in cash and cash equivalents	(1,466,502)	(1,420,814)
Cash and cash equivalents, beginning of year	19,074,768	20,495,582
Cash and cash equivalents, end of year	$ 17,608,266	$ 19,074,768

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, 2016 and 2015

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 24,558,751	$ 43,075,182
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	29,063,661	29,507,267
Non-operating expense	(906,655)	(2,067,848)
Provisions for uncollectible accounts	(321,490)	(171,222)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	457,969	2,431,665
(Increase) decrease in inventory	1,985,458	(3,062,631)
(Increase) decrease in prepaids	(418,895)	(41,318)
Increase (decrease) in accounts payable and accrued liabilities	20,194,001	(2,002,889)
Increase (decrease) in unearned revenues	138,463	507
Increase (decrease) in accrued vacation and sick leave	132,304	(7,650)
Increase (decrease) in deferred credit – fuel cost recovery	3,413,524	(4,422,294)
Increase (decrease) in customer deposits liability	100,915	235,185
Changes in deferred inflows of resources	374,166	2,009,154
Changes in deferred outflows of resources	(7,156,750)	(3,854,651)
Net cash provided by operating activities	$ 71,615,422	$ 61,628,457
Non-cash investing, capital, and financing activities:		
Contribution in aid of construction	$ 643,007	$ 4,151,234
Bond proceeds deposited into escrow for refunding long-term debt	46,901,527	84,396,257
Changes in fair value	36,639	-
Reconciliation of cash and cash equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and cash equivalents:		
Unrestricted	$ 13,866,339	$ 17,388,130
Restricted	3,741,927	1,686,638
Total Cash and Cash Equivalents	$ 17,608,266	$ 19,074,768

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

(c) Current Year GASB Statement Implementations

In fiscal year 2016, the Public Utilities Board implemented the following GASB statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, became effective for the Public Utilities Board beginning with its fiscal year ending September 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Current Year GASB Statement Implementations - Continued

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, became effective for the Public Utilities Board beginning with its fiscal year ending September 30, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, became effective for the Public Utilities Board beginning with its fiscal year ending September 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

In fiscal year 2015, the Public Utilities Board implemented the following GASB statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, became effective for the Public Utilities Board beginning with its year ending September 30, 2015. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses related to pension. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The impact for the Public Utilities Board is as follows:

Net pension liability – The net pension liability reported under GASB Statement No. 68 is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the Plan's fiduciary net position. Previous to this new guidance, a liability was recognized only to the extent that contributions made to the plan were exceeded by the actuarially calculated contributions.

Deferred outflows of resources and deferred inflows of resources – GASB Statement No. 68 requires recognition of deferred outflows and inflows of resources associated with the difference between projected and actual earning on Plan investments, to be amortized to

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Current Year GASB Statement Implementations - Continued

pension expense over a closed five-year period. Also to be recognized as deferred outflows and inflows of resources are differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, to be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees receiving pension benefits. Employer contributions to the pension made between the net pension liability measurement date and the employer's fiscal year end are recognized as deferred outflows of resources, to be included in pension expense in the subsequent fiscal year.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, became effective for the Public Utilities Board beginning with its year ending September 30, 2015. GASB Statement No. 71, provides guidance for amounts associated with contributions, if any, made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. A beginning deferred outflow of resources is required for pension contributions made subsequent to the measurement date of the beginning net pension liability. The effect of this guidance on the Public Utilities Board resulted in the recognition of a deferred outflow of resources for contributions made subsequent to the measurement date of the Public Utilities Board's beginning net pension liability.

(d) 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.

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

(e) 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, 2016 and 2015, 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) 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 2016 and 2015:

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

(g) 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.

(h) Inventories

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) 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.

(j) Regulatory Basis Assets

The Public Utilities Board elected to establish a regulatory asset for the debt issuance costs in accordance with regulated operations under GASB Statement No. 62. The debt issuance costs would otherwise have been expensed upon implementation of GASB Statement No. 65.

(k) 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.

(l) 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.

(m) Deferred Inflows of Resources

GASB Concept Statement No. 4, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements,* provided definitions for elements in the financial statements. Deferred inflows of resources are the acquisition of net assets applicable to a future reporting period. GASB Statement No. 63 establishes guidance for reporting this element on the statement of net position, and GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred inflows of resources, certain items that were previously reported as liabilities. Deferred inflows of resources related to recoverable fuel costs totaled $0.3 million at September 30, 2016. Pursuant to GASB Statement No. 68 accounting methodologies adopted beginning in fiscal year 2015, recognition of deferred inflows of resources related to pension amounted to $2.4 million as of September 30, 2016 and $2.0 million as of September 30, 2015.

(n) Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net assets applicable to a future reporting period, as defined in GASB Concept Statement No. 4. GASB Statement No. 63 establishes guidance for reporting this element on the statement of net position and GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets.

For current and advance refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt is recorded as unamortized reacquisition costs and reported as deferred outflows of resources. These amounts are amortized as components of interest expense over

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Deferred Outflows of Resources - Continued

the shorter of the remaining life of the refunding or the refunded debt. At September 30, 2016, and September 30, 2015, reacquisition costs totaled $21.0 million and $17.4 million, respectively. Deferred outflows of resources related to recoverable fuel costs totaled $3.1 million at September 30, 2015. Pursuant to GASB Statement No. 68 accounting methodologies adopted beginning in fiscal year 2015, recognition of deferred outflows of resources related to pension amounted to $11.0 million as of September 30, 2016 and $3.9 million as of September 30, 2015.

(o) 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.

(p) 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, 2016 and 2015, the Public Utilities Board had over collected $303,078 and under collected $3,110,446, 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.

(q) 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.

(r) Restricted Net Position

Net position is restricted for the following purposes at September 30, 2016 and 2015:

	2016	2015
Debt Service	$ 3,576,530	$ 3,513,044
Repair and replacement	110,290,480	86,247,310
Operating reserve	17,000,223	17,000,180
Fuel adjustment subaccount	11,475,000	9,000,000
Capital projects	1,454,010	1,359,583
Total restricted net position	$ 143,796,243	$ 117,120,117

The above restricted net position is all subject to restrictions externally imposed by creditors through bond covenants.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(r) Restricted Net Position – Continued

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.

(s) 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.

(t) 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.

(u) 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 cannot be 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.

(v) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) DEPOSITS AND INVESTMENTS

(a) Basis of Investments

On November 9, 2015, the Public Utilities Board approved a revised Investment Policy which included an "Investment Strategy Statement" that addressed the understanding of investment suitability, the preservation and safety of principal, liquidity, marketability of the investment prior to maturity, diversification, and yield of the investment portfolio. In regards to the safety and risk of investments, the Public Utilities Board abided by the Investment Policy that requires all available funds to be invested in conformance with state and federal regulations, 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 fair value.

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

The carrying value of deposits with financial institutions approximates fair value. As of September 30, 2016 and 2015, the Public Utilities Board had the following investments:

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(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

	September 30, 2016			
Investment Type	Amount	Weighted Avg Maturity (Days)	Allocation	Rating
Money Market Mutual Funds	$ 10,255,120	1	5.7%	AAAm
Certificates of Deposit	17,629,346	21	9.9%	A1P1
U.S. Agencies	24,397,360	50	13.7%	AA+
U.S Treasury Note	554,629	1	0.3%	AAA
Local Government Investment Pools	125,692,976	1	70.4%	AAAm
Total	$ 178,529,431		100.0%	

	September 30, 2015			
Investment Type	Amount	Weighted Avg Maturity (Days)	Allocation	Rating
Money Market Mutual Funds	$ 16,466,536	1	10.5%	AAAm
Certificates of Deposit	22,529,625	48	14.8%	A1P1
U.S. Agencies	40,551,477	217	25.9%	AA
U.S Treasury Note	554,629	3	0.4%	AAAm
Local Government Investment Pools	74,095,206	1	48.4%	AAAm
Total	$ 154,197,473		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, 2016 and 2015, the investment portfolio had maturities that met anticipated cash flow requirements.

The Public Utilities Board's invests in TexPool, TexasDAILY, and TexStar to provide its liquidity needs. These pools are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. These pools are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2016, TexPool, TexasDAILY, and TexStar had a weighted average maturity of 45 days, 55 days, and 41 days respectively. The Public Utilities Board considers the holdings in these funds to have a weighted

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments - Continued

average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Credit risk – The Public Utilities Board identifies and manages credit risks by following the Investment Policy. The Public Utilities Board implements its investment strategy, establishes and monitors compliance with investment policies and procedures, and consistently monitors prudent risk controls. The Public Utilities Board will seek to control the risk of loss by monitoring the ratings of portfolio positions to assure compliance with the rating requirements imposed by the Public Funds Investment Act. The Public Utilities Board also manages exposure to credit risk by limiting its investments to a rating of "A" or better. As of September 30, 2016 and 2015, the Public Utilities Board's 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 fair value of the principal portion. The Public Utilities Board seeks to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Investment Policy.

The Public Utilities Board signed an agreement with its financial institution pledging funds to 102% minimum of the fair value of the principal portion. As of September 30, 2016, the Public Utilities Board invested 13.7% 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, 2016 and 2015, 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,

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

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

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

Fair Value measurement – The Public Utilities Board records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. The Public Utilities Board's fair value measurements are performed on a recurring basis.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government agency and mortgage-backed securities and certificates of deposit are examples of Level 2 inputs.
- Level 3 – inputs are unobservable inputs that reflect the Authority's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

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

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2016. Investment balances presented exclude amounts related to money market mutual fund investments and 2a7-like external investment pools accounted for using amortized cost.

	September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Fair Value Investments				
U.S. Agencies				
Federal Home Loan Mtg Corp	$ -	$ 18,398,614	$ -	18,398,614
Federal Home Loan Bank	-	5,998,746	-	5,998,746
U.S. Treasury Note	554,629	-	-	554,629
Certificates of Deposit	-	17,629,346	-	17,629,346
Total fair value investments	$ 554,629	$ 42,026,706	$ -	$ 42,581,335

	September 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Fair Value Investments				
U.S. Agencies				
Federal Home Loan Mtg Corp	$ -	$ 29,561,617	$ -	$ 29,561,617
Federal Farm Credit Bank	-	4,995,860	-	4,995,860
Farmer Mac	-	5,994,000	-	5,994,000
U.S. Treasury Note	554,629	-	-	554,629
Certificates of Deposit	-	22,529,625	-	22,529,625
Total fair value investments	$ 554,629	$ 63,081,102	$ -	$ 63,635,731

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(3) CAPITAL ASSETS

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2016 were as follows:

	Beginning Balance 2015	Additions	Deletions	Reclassifications	Ending Balance 2016
Capital assets, not being depreciated:					
Land	$ 26,054,237	$ -	$ -	$ 1,572,223	$ 27,626,460
Construction in progress	91,255,816	23,525,605	-	(26,096,639)	88,684,782
Total capital assets, not being depreciated	117,310,053	23,525,605	-	(24,524,416)	116,311,242
Capital assets, being depreciated:					
Plant	737,951,381	2,832,785	(2,903,038)	8,383,538	746,264,666
Buildings and structures	89,380,603	18,026	(330,200)	2,792,377	91,860,806
Improvements other than buildings	45,915,462	-	(21,857)	2,741,423	48,635,028
Equipment	125,570,210	2,098,088	(4,742,549)	10,607,078	133,532,827
Total capital assets, being depreciated	998,817,656	4,948,899	(7,997,644)	24,524,416	1,020,293,327
Less accumulated depreciation for:					
Plant	(330,898,244)	(20,915,815)	617,584	(14,821,921)	(366,018,396)
Buildings and structures	(36,492,001)	(2,191,594)	274,589	55,123	(38,353,883)
Improvements other than buildings	(38,137,684)	(1,214,203)	19,918	14,793,477	(24,538,492)
Equipment	(65,708,658)	(4,742,049)	3,882,661	(26,679)	(66,594,725)
Total accumulated depreciation	(471,236,587)	(29,063,661)	4,794,752	-	(495,505,496)
Capital assets, net	$ 644,891,122	$ (589,157)	$ (3,202,892)	$ -	$ 641,099,073

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(3) CAPITAL ASSETS - Continued

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2015 were as follows:

	Beginning Balance 2014	Additions	Deletions	Reclassifications	Ending Balance 2015
Capital assets, not being depreciated:					
Land	$ 25,201,514	$ 630,000	$ -	$ 222,723	$ 26,054,237
Construction in progress	111,966,150	34,513,311	-	(55,223,645)	91,255,816
Total capital assets, not being depreciated	137,167,664	35,143,311	-	(55,000,922)	117,310,053
Capital assets, being depreciated:					
Plant	715,152,420	5,079,966	(15,760,900)	33,479,895	737,951,381
Buildings and structures	75,225,315	115,027	(925,794)	14,966,055	89,380,603
Improvements other than buildings	45,910,053	-	(660)	6,069	45,915,462
Equipment	119,301,189	1,488,620	(1,768,502)	6,548,903	125,570,210
Total capital assets, being depreciated	955,588,977	6,683,613	(18,455,856)	55,000,922	998,817,656
Less accumulated depreciation for:					
Plant	(320,184,071)	(20,153,437)	9,255,214	184,050	(330,898,244)
Buildings and structures	(34,896,839)	(2,125,962)	678,246	(147,446)	(36,492,001)
Improvements other than buildings	(36,090,203)	(2,027,033)	-	(20,448)	(38,137,684)
Equipment	(61,814,174)	(5,200,835)	1,322,507	(16,156)	(65,708,658)
Total accumulated depreciation	(452,985,287)	(29,507,267)	11,255,967	-	(471,236,587)
Capital assets, net	$ 639,771,354	$ 12,319,657	$ (7,199,889)	$ -	$ 644,891,122

(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.

(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 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, 2016 are as follows:

	Beginning Balance 2015	Additions	Deletions	Ending Balance 2016
Commercial paper	$ -	$ 7,000,000	$ -	$ 7,000,000

(5) SHORT-TERM DEBT - Continued

(a) Commercial Paper - Continued

Commercial paper balances and activity as of and for the year ended September 30, 2015 are as follows:

	Beginning Balance 2014	Additions	Deletions	Ending Balance 2015
Commercial paper	$ 13,000,000	$ 7,000,000	$ (20,000,000)	$ -

The Public Utilities Board issued $7,000,000 of Commercial Paper during 2016 and $7,000,000 of Commercial Paper during 2015.

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

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

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

(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.

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(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2016 are as follows:

	Beginning Balance 2015	Additions	Reductions	Ending Balance 2016	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%	$ 100,000	$ -	$ -	$ 100,000	$ -
$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%	397,000	-	(28,000)	369,000	29,000
$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%	61,530,000	-	(45,465,000)	16,065,000	3,110,000
$20,690,000 utilities system revenue refunding bonds, series 2012; due in annual installments ranging from $565,000 to $1,210,000 through 2037 with interest rates ranging from 1.5% to 4.0%	18,970,000	-	(590,000)	18,380,000	605,000
$840,000 utilities system revenue refunding bonds, series 2012; due in annual installments ranging from $30,000 to $60,000 through 2032 with interest rates ranging from .27% to 3.49%	750,000	-	(30,000)	720,000	35,000
$118,185,000 utilities system revenue refunding bonds, series 2013A; due in annual installments ranging from $430,000 to $11,820,000 through 2031 with interest rates ranging from 2.0% to 5.0%	117,315,000	-	(975,000)	116,340,000	950,000
$94,770,000 utilities system revenue refunding bonds, series 2015; due in annual installments ranging from $2,950,000 to $8,995,000 through 2045 with interest rates ranging from 4.0% to 5.0%	94,770,000	-	(7,590,000)	87,180,000	8,185,000
$39,410,000 utilities system revenue refunding bonds, series 2016; due in annual installments ranging from $1,720,000 to $4,125,000 through 2033 with interes rates at 5.00%	-	39,410,000	-	39,410,000	-
Total Public Utilities Board	293,832,000	39,410,000	(54,678,000)	278,564,000	12,914,000

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2016 – continued

	Beginning Balance 2015	Additions	Reductions	Ending Balance 2016	Amounts due within one year
Southmost Regional Water Authority:					
$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%	9,790,000	-	(25,000)	9,765,000	25,000
$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%	7,435,000	-	(310,000)	7,125,000	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%	2,950,000	-	(160,000)	2,790,000	165,000
$13,530,000 water supply contract revenue refunding bonds, series 2012 due in remaining annual installments ranging from $700,000 to $1,285,000 through 2027 with interest rate ranging from 3.0% to 5.0%	11,345,000	-	(785,000)	10,560,000	825,000
Total Public Utilities Board and Southmost Regional Water Authority	325,352,000	39,410,000	(55,958,000)	308,804,000	14,239,000
Plus:					
Unamortized Premium	32,891,962	7,705,681	(1,917,262)	38,680,381	-
Less:					
Unamortized original issuance discount	(1,994,155)	(250,392)	347,558	(1,896,989)	-
Total long-term debt	$ 356,249,807	$ 46,865,289	$ (57,527,704)	$ 345,587,392	$ 14,239,000

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(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2015, are as follows:

	Beginning Balance 2014	Additions	Reductions	Ending Balance 2015	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%	$ 49,955,000	$ -	$ (49,855,000)	$ 100,000	$ -
$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%	33,725,000	-	(33,725,000)	-	-
$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%	423,000	-	(26,000)	397,000	28,000
$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%	64,350,000	-	(2,820,000)	61,530,000	2,960,000
$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%	6,950,000	-	(6,950,000)	-	-
$20,690,000 utilities system revenue refunding bonds, series 2012; due in annual installments ranging from $565,000 to $1,210,000 through 2037 with interest rates ranging from 1.5% to 4.0%	19,545,000	-	(575,000)	18,970,000	590,000
$840,000 utilities system revenue refunding bonds, series 2012; due in annual installments ranging from $30,000 to $60,000 through 2032 with interest rates ranging from .27% to 3.49%	780,000	-	(30,000)	750,000	30,000
$118,185,000 utilities system revenue refunding bonds, series 2013A; due in annual installments ranging from $430,000 to $11,820,000 through 2031 with interest rates ranging from 2.0% to 5.0%	117,755,000	-	(440,000)	117,315,000	975,000
$94,770,000 utilities system revenue refunding bonds, series 2015; due in annual installments ranging from $2,950,000 to &8,995,000 through 2045 with interest rates ranging from 4.0% to 5.0%	-	94,770,000	-	94,770,000	7,590,000
Total Public Utilities Board	293,483,000	94,770,000	(94,421,000)	293,832,000	12,173,000

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2015 – continued

	Beginning Balance 2014	Additions	Reductions	Ending Balance 2015	Amounts due within one year
Southmos Regional Water Authority:					
$9,950,000 water supply contract revenue refjunding bonds, series 2006; due in remaining annual installments ranging from $10,000 to $1,845,000 through 2032 with interst rate ranging from 3.7% to 5.50%	9,810,000	-	(20,000)	9,790,000	25,000
$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%	7,745,000	-	(310,000)	7,435,000	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%	3,105,000	-	(155,000)	2,950,000	160,000
$13,530,000 water supply contract revenue refunding bonds, series 2012 due in remaining annual installments ranging from $700,000 to $1,285,000 through 2027 with interest rate ranging from 3.0% to 5.0%	12,100,000	-	(755,000)	11,345,000	785,000
Total Public Utilities Board and Southmost Regional Water Authority	326,243,000	94,770,000	(95,661,000)	325,352,000	13,453,000
Plus:					
Unamortized Premium	25,469,016	8,945,752	(1,522,807)	32,891,961	-
Less:					
Unamortized original issuance discount	(1,883,014)	(580,656)	469,515	(1,994,155)	-
Total long-term debt	$ 349,829,002	$ 103,135,096	$ (96,714,292)	$ 356,249,806	$ 13,453,000

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

	Principal	Interest	Total
Year Ending September 30:			
2017	$ 14,239,000	$ 13,822,092	$ 28,061,092
2018	14,806,000	13,196,007	28,002,007
2019	15,337,000	12,491,988	27,828,988
2020	16,059,000	11,756,422	27,815,422
2021	16,746,000	10,999,790	27,745,790
2022-2026	95,287,000	42,543,479	137,830,479
2027-2031	108,275,000	19,603,658	127,878,658
2032-2036	17,155,000	3,489,259	20,644,259
2037-2041	6,600,000	1,530,831	8,130,831
2042-2046	4,300,000	466,438	4,766,438
	$ 308,804,000	$ 129,899,964	$ 438,703,964

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

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 in an escrow account with Wells Fargo Bank and released through installments as project expenses are incurred.

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

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

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

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

On May 1, 2013, the Public Utilities Board issued $118,185,000 in Utilities System Revenue Refunding Bonds, Series 2013. The refunding bond proceeds plus a bond premium of $16,723,650 were used to defease $109,985,000 of the Series 2005A Utilities System Revenue Improvement and Refunding Bonds which are callable on September 1, 2015 and funded $11,818,500 of Public Utilities Board Senior Lien Reserve Fund.

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

The Public Utilities Board issued $20,690,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2012. The proceeds of the refunding bonds plus $5,275,000 in issuer contributions were used for a current refunding of $24,450,000 of Commercial Paper Notes. As a result, the refunded commercial paper notes are considered to be defeased and the liability was been removed from long-term debt.

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

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

(b) Current Refunding

The Public Utilities Board issued $94,770,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2015. Part of the proceeds of the refunding bonds were used for a current refunding of $20,000,000 of Commercial Paper Notes. As a result, the refunded commercial paper notes are considered to be defeased and the liability has been removed from long-term debt. This current refunding was undertaken to convert the Commercial Paper Notes to long-term and did not result in an economic gain or loss.

(c) Advance Refunding

The Public Utilities Board issued $39,410,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2016. The refunding bonds were issued to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $42,505,000 of the Series 2008 Utilities System Revenue Refunding Bonds for the years 2019 through 2033. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The reacquisition price exceeded the net carrying amount of the old debt by $4,956,383. This amount together with $576,913 of unamortized deferred amount from the prior refunding is being netted against the new debt and amortized through the year 2033. The Public Utilities Board completed the advance refunding to reduce its total debt service payments over the next 18 years by $6,380,112 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5,282,797.

(6) LONG-TERM DEBT – Continued

(c) Advance Refunding – Continued

The Public Utilities Board issued $94,770,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2015. The refunding bonds were issued to provide resources to purchase U.S. Government State and Local Government Series securities $49,060,000 of the Series 2005A Utilities System Revenue Improvement and Refunding Bonds for the years 2016 through 2031, $27,815,000 of the Series 2005B Utility System Revenue Refunding Bonds for the years 2016 through 2019 and $5,480,000 of the Series 2011 Utility System Revenue Refunding Bonds for the years 2016 through 2019. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The reacquisition price exceeded the net carrying amount of the old debt by $1,223,175. This amount together with $935,149 of unamortized deferred amount from the prior refunding is being netted against the new debt and amortized through the year 2031. The Public Utilities Board completed the advance refunding to reduce its total debt service payments over the next 16 years by $10,352,811 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $8,445,383.

(d) 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, 2016 and 2015, the amount of defeased debt outstanding but removed from long-term debt amounted to $54,620,000 and $20,775,000, respectively.

(e) 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

(7) RISK MANAGEMENT – Continued

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 $145,000 and $350,000 (each Accident) / $1,050,000 (Aggregate) for health and workers' compensation, respectively. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(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 an excess workers' compensation insurance contract with an insurance carrier coverage which provides Texas statutory limits for claims in excess of $350,000 for any one accident or occurrence. The aggregate deductible under this policy is $1,050,000. Management feels that the contributions made during the year for workers' compensation will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such.

(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 $145,000 per individual. The Public Utilities Board also has aggregate limits, which fluctuate based on enrollment but that are currently set at $7,820,334. This figure would be the Board's maximum liability, including claims and fixed cost for the 2017 Plan Year.

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, 2016 and 2015:

	Beginning Balance 2015	Claims and Adjustments	Claims Payments	Ending Balance 2016	Amounts Due Within One Year
Workers' Compensation	$ 212,734	$ 745,618	$ (825,057)	$ 133,295	$ 90,870
Health Insurance	$ 114,663	$ 5,447,108	$ (5,427,099)	$ 134,672	$ 134,672

	Beginning Balance 2014	Claims and Adjustments	Claims Payments	Ending Balance 2015	Amounts Due Within One Year
Workers' Compensation	$ 115,215	$ 386,377	$ (288,858)	$ 212,734	$ 143,657
Health Insurance	$ 115,200	$ 4,714,055	$ (4,714,592)	$ 114,663	$ 114,663

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM

(a) Plan Description

The Public Utilities Board participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act,

Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

Plan provisions for the Public Utilities Board were as follows:

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

(b) Benefits Provided

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

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

At the date the plan began, the Public Utilities Board granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(b) Benefits Provided – Continued

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

	December 31,	
	2015	2014
Active employees	570	562
Inactive employees or beneficiaries currently receiving benefits	240	232
Inactive employees entitled to but not yet receiving benefits	99	84
Total Plan Participants	909	878

(c) Contributions

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

Employees of the Public Utilities Board were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Public Utilities Board were 13.25% and 12.12% for calendar years 2015 and 2016, respectively. The Public Utilities Board's contributions to TMRS in the fiscal year ended September 30, 2016, were $4,339,028, and $3,534,419, for fiscal year ended September 30, 2015, and equaled the required contributions.

(d) Net Pension Liability

The Public Utilities Board's net pension liability (NPL) was measured as of December 31, 2015, and total pension liability (TPL) used to calculate the net pension liability was determined by actuarial valuations as of that date.

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(d) Net Pension Liability - Continued

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(d) Net Pension Liability - Continued

Actuarial assumptions – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.1%
Core Fixed Income	10.0%	1.0%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.0%
Absolute Return	10.0%	4.0%
Private Equity	5.0%	8.0%
Total	100.0%	

Discount Rate

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

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(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(d) Net Pension Liability - Continued

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 134,070,282	$ 120,253,874	$ 13,816,408
Changes for the year:			
Service cost	3,748,945	-	3,748,945
Interest	10,202,003	-	10,202,003
Change of benefit terms	12,418,650	-	12,418,650
Difference between expected and actual experience	(976,625)	-	(976,625)
Changes in assumptions	119,380	-	119,380
Contributions - employer	-	3,483,411	(3,483,411)
Contributions - employee	-	1,840,296	(1,840,296)
Net investment income	-	177,458	(177,458)
Benefit payments, including refunds of employee contributions	(5,240,997)	(5,240,997)	-
Administrative expense	-	(108,080)	108,080
Other changes	-	(5,338)	5,338
Net changes	20,271,356	146,750	20,124,606
Balance at 12/31/2015	$ 154,341,638	$ 120,400,624	$ 33,941,014

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
$ 56,716,812	$ 33,941,014	$ 15,288,581

Pension Plan Fiduciary Net Position

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

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Public Utilities Board recognized $17,681,051 in pension expense for the fiscal year ended September 30, 2016.

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

At September 30, 2016, the Public Utilities Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2016	September 30, 2015
Deferred outflows of resources		
Differences between projected and actual earnings on pension assets	$ 7,465,604	$ 1,164,471
Employer'scontributions to the Plan subsequent to the measurement of total pension liability	3,545,797	2,690,180
Total deferred outflows of resources	$ 11,011,401	$ 3,854,651
Deferred inflows of resources		
Differences between projected and actual earnings on pension assets	$ (2,484,829)	$ (2,009,154)
Changes in assumptions	101,509	-
Total deferred inflows of resources	$ (2,383,320)	$ (2,009,154)

The amount reported as deferred outflows of resources, $3,545,797, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources:
2016	$ 1,456,102
2017	1,456,102
2018	1,456,101
2019	1,164,983
2020	(363,739)
Thereafter	(87,265)
Total	$ 5,082,284

(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 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. Examples include assumptions as to rates of interest, mortality, and turnover. 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.

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

POST-RETIREMENT HEALTH CARE BENEFITS - Continued

(b) Actuarial Methods and Assumptions - Continued

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.

The actuarial methods and significant assumptions used to determine the Annual Required Contribution (ARC) for the current year are as follows:

1) Measurement date is as of October 1, 2015.
2) The actuarial cost method used is the projected unit credit cost method.
3) As of this valuation date, there are no assets, hence no need for an actuarial value of assets.
4) The amortization method is level percent of payroll. The amortization period is 30 years. The period is open.
5) See below for a disclosure of the significant actuarial assumptions.

- Discount Rate for Valuing Liabilities
  - Without prefunding: 3.50% per annum, compounded annually
- Inflation Rate
  - 2.30% per annum, compounded annually
- Payroll Growth
  - 2.10% per annum, compounded annually
- Mortality Rates
  - Pre-retirement: Sex Distinct RP-2014 Mortality Table adjusted to 2006 with Projection Scale MP-2016
  - Post-retirement: Sex Distinct RP-2014 Mortality Table adjusted to 2006 with Projection Scale MP-2016
- Disability Rates
  - From December 31, 2015 TMRS report:

Age	Male	Female
35	0.0259%	0.0259%
40	0.0494%	0.0494%
45	0.0804%	0.0804%
50	0.1188%	0.1188%
55	0.1647%	0.1647%
60	0.2180%	0.2180%

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

POST-RETIREMENT HEALTH CARE BENEFITS - Continued

(b) Actuarial Methods and Assumptions - Continued

- Withdrawal Rates
  - 2003 SOA Pension Plan Turnover Study adjusted by 60.3%:

Age	Male	Female
25	11.2%	11.2%
30	7.4%	7.4%
35	5.3%	5.3%
40	4.2%	4.2%
45	3.7%	3.7%
50	3.4%	3.4%
55	1.8%	1.8%
60	1.3%	1.3%

- Retirement Rates
  - From December 31, 2015 TMRS report for entry ages 32 & under:

Ages	Male	Female
40-44	6%	6%
45-49	6%	6%
50-53	8%	8%
54	8%	11%
55-59	14%	11%
60	20%	14%
61	25%	28%
62	32%	28%
63	32%	28%
64	32%	28%
65	32%	28%
66-69	22%	22%
70-74	20%	22%
75+	100%	100%

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

POST-RETIREMENT HEALTH CARE BENEFITS - Continued

(b) Actuarial Methods and Assumptions – Continued

- Participation Assumption
  - 100% of active employees are assumed to elect coverage at retirement.

- Marriage Assumption
  - For actives it is assumed that husbands are three years older than their wives. 50% of active participants making it to retirement are assumed to be married and elect spouse coverage.

- Claims Costs at Sample Ages – Annual

Age	Retiree		Spouse	
	Male	Female	Male	Female
45	10,091	11,588	7,011	8,349
50	8,864	10,002	7,868	9,096
55	9,352	9,819	9,051	9,929
60	11,399	11,142	10,826	11,114
64	14,218	12,843	13,119	12,445
65+	0	0	0	0

- Medical Inflation (Trend Assumption)
  - The trend assumptions for medical and pharmacy costs and retiree premiums are summarized below:

Year	Trend
2015	6.00%
2016	6.00%
2017	5.80%
2018	5.60%
2019	5.30%
2020-2021	5.20%
2022	5.10%
2023-2024	5.00%
2025-2029	4.90%
2030-2032	5.00%
2033-2036	5.20%
2037-2038	5.30%

Year	Trend
2039	5.20%
2040-2041	5.10%
2042	5.30%
2043-2046	5.60%
2046-2048	5.50%
2049-2050	5.40%
2051-2055	5.30%
2056-2060	5.20%
2061-2063	5.10%
…	…
2073-2076	4.20%
2077+	4.10%

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

POST-RETIREMENT HEALTH CARE BENEFITS- Continued

(c) Annual OPEB Cost and Net OPEB Obligation

The Public Utilities Board's annual other post-employment benefit (OPEB) cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost consists of the ARC, interest on the net OPEB obligation, and adjustments to the ARC. The September 30, 2015, and September 30, 2016, actuarial valuations are the basis for the annual OPEB cost of $1.3 million and $1.6 million, respectively.

The following table shows the components of the Public Utilities Board's annual OPEB cost for FY 2016 and FY 2015, the contributions in relation to the ARC, and changes in the net OPEB obligation. The net OPEB obligation may be either positive, reflecting a liability, or negative, reflecting an asset. The term net OPEB obligation, as used in this note, refers to either situation.

Determination of Annual Required Contribution	9/30/2015	9/30/2016
Normal Cost at fiscal year end	$ 759,346	$ 934,587
Amortization of UAAL	509,043	676,825
Annual Required Contribution (ARC)	$ 1,268,389	$ 1,611,412
Determination of Net OPEB Obligation		
Net OPEB Obligation - beginning of year	$ 6,970,707	$ 7,866,350
Annual Required Contribution	1,268,389	1,611,412
Interest on prior year Net OPEB Obligation	243,975	275,322
Adjustment to ARC	(290,968)	(328,353)
Annual OPEB Cost	1,221,396	1,558,381
Contributions in relation to ARC	(325,753)	(750,009)
Increase in Net OPEB Obligation	895,643	808,372
Net OPEB Obligation - end of year	$ 7,866,350	$ 8,674,722

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

POST-RETIREMENT HEALTH CARE BENEFITS - Continued

(c) Annual OPEB Cost and Net OPEB Obligation – Continued

The following table shows the estimated annual OPEB cost and net OPEB obligation for the prior three years under a plan which is not prefunded:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	3.50%	$ 1,228,964	$ 106,320	8.65%	$ 6,970,707
9/30/2015	3.50%	$ 1,221,396	$ 325,753	26.67%	$ 7,866,350
9/30/2016	3.50%	$ 1,558,381	$ 750,009	48.13%	$ 8,674,722

(d) Funded Status and Funding Progress

As of October 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $16.2 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $16.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $26.3 million, and the ratio of the UAAL to the covered payroll was 61.7 percent.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[1]	Unfunded Actuarial Accrued Liabilities (UAAL)[2]	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/1/2013	$ -	$ 12,195,117	$ 12,195,117	0.00%	$ 22,199,991	54.9%
10/1/2014	$ -	n/a	n/a	0.00%	n/a	n/a
10/1/2015	$ -	$ 16,214,696	$ 16,214,696	0.00%	$ 26,289,939	61.7%

(1) Actuarial Accrued Liability determined under the projected unit credit cost method based on a discount rate of 3.50% as of October 1, 2013. A valuation was not performed for the fiscal year beginning October 1, 2014, so liabilities were carried forward from the October 1, 2013 valuation. Actuarial Accrued Liability determined under the projected unit credit cost method based on a discount rate of 3.50% as of October 1, 2015.

(2) Actuarial Accrued Liability less Actuarial Value of Assets.

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

POST-RETIREMENT HEALTH CARE BENEFITS - Continued

(d) Funded Status and Funding Progress - Continued

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 October 1, 2015, are contained in the Public Utilities Board Actuarial Valuation Report, a copy of which may be obtained by w riting 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 benefit," 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.

See schedule of contribution rates below:

(9) OTHER POST-EMPLOYMENT BENEFITS - Continued

SUPPLEMENTAL DEATH BENEFIT PLAN – Continued

(b) Contributions - Continued

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

Actuarial Cost Method and Assumptions

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	0.06%	0.06%	100.0%
2015	0.06%	0.06%	100.0%
2016	0.05%	0.05%	100.0%

(c) Actuarial Cost Method and Assumptions

Actuarial information under this plan is as follows:

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal
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, 2013	$ 41,848	100%	-
December 31, 2014	$ 46,253	100%	-
December 31, 2015	$ 47,322	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, 2015 valuations are contained in the 2015 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or may be obtained from TMRS' website at www.TMRS.com.

(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, 2016 and 2015 were $4,804,112 and $4,809,741, 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 $775,830 and $758,950 to the City for these collection services in 2016 and 2015, 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, 2016 and 2015 totaled $9,822,602 and $9,040,104, respectively, of which $2,748,853 and $2,772,669, respectively, was payable at September 30, 2016 and 2015.

(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, 2016, the Public Utilities Board had committed approximately $13,236,008 for utility plant expansion and improvements. Funding of these amounts will come from available revenues of the Public Utilities Board and restricted funds.

(13) PENDING GASBs

As of September 30, 2016, 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. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, *(Effective beginning FY 10/1/2016)* replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*, as they relate to certain other postemployment benefit ("OPEB") plans that are administered through trusts or equivalent arrangements. This Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, *(Effective beginning FY 10/1/2017)* replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources and expense. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB.

GASB Statement No. 77, *Tax Abatement Disclosures*, *(Effective beginning FY 10/1/2016)* provides financial disclosure requirements for governments that enter into tax abatement agreements. This Statement indicates how disclosures for tax abatements should be organized and what descriptive information, including commitments made by the entity should be presented. Because the Public Utilities

(13) PENDING GASBs – Continued

Board is not a tax-levying government and is not a party to tax abatement agreements, there is no expected impact on the financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, (Eff. Beg. 10/1/2016)* clarifies requirements for the application of GASB Statement No. 68 for certain governments whose employees receive pension benefits through multiple-employer plans. As the Public Utilities Board does not sponsor benefits through the type of plan addressed by this Statement, the guidance is not applicable and will have no impact on the Company's financial reporting.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, (Effective beginning FY 10/1/2016)* amends the blending requirements for the financial statement presentation of certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Because the component unit of the Public Utilities Board is not incorporated as a not-for-profit corporation, there is no expected impact on the financial statements.

(14) PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the Public Utilities Board adopted and implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, and recorded a prior period adjustment to reflect the effects of the guidance. The net effect of the prior period adjustment decreased net position by $12,843,303. Amounts related to prior years were not readily determinable. Therefore, prior years are not restated.

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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 Changes in Net Pension Liability and Related Ratios

	2016	2015
Total Pension Liability		
Service Cost	$ 3,748,945	$ 3,426,900
Interest (on the Total Pension Liability)	10,202,003	8,988,969
Changes of benefit terms	12,418,650	-
Difference between expected and actual experience	(976,625)	(2,363,903)
Changes of assumption	119,380	-
Benefit payments, including refunds of employee contributions	(5,240,997)	(5,364,164)
Net change in Total Pension Liability	20,271,356	4,687,802
Total Pension Liability - Beginning	134,070,282	129,382,480
Total Pension Liability - Ending (a)	$ 154,341,638	$ 134,070,282
Plan Fiduciary Net Position		
Contributions - Employer	$ 3,483,411	$ 3,597,481
Contributions - Employee	1,840,296	1,798,743
Net investment income	177,458	6,509,426
Benefit payments, including refunds of employee contributions	(5,240,997)	(5,364,164)
Administrative expense	(108,080)	(67,960)
Other	(5,338)	(5,587)
Net change in Plan Fiduciary Net Position	146,750	6,467,939
Plan Fiduciary Net Position - Beginning	120,253,874	113,785,935
Plan Fiduciary Net Position - Ending (b)	$ 120,400,624	$ 120,253,874
Net Pension Liability - Ending (a) - (b)	$ 33,941,014	$ 13,816,408
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.01%	89.69%
Covered Employee Payroll	$ 26,289,939	$ 25,696,323
Net Pension Liability as a Percentage of Covered Employee Payroll	129.10%	53.77%

Notes to Schedule: Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Texas Municipal Retirement System
Schedule of Contributions

	2015	2014
Actuarially Determined Contribution	$ 4,339,028	$ 3,534,419
Contributions in relation to the actuarially determined contribution	4,339,028	3,534,419
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 26,289,939	$ 25,696,323
Contributions as a percentage of covered employee payroll	16.50%	13.75%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Public Utilities Board's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	Increased municipal matching ratio from 1.5-1 to 2-1. Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.

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)[1]	Unfunded Actuarial Accrued Liabilties (UAAL)[2]	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
10/1/2013	$ -	$ 12,195,117	$ 12,195,117	0.0%	$ 22,199,991	54.9%
10/1/2014	$ -	n/a	n/a	0.0%	n/a	n/a
10/1/2015	$ -	$ 16,214,696	$ 16,214,696	0.0%	$ 26,289,939	61.7%

(1) Actuarial Accrued Liability determined under the projected unit credit cost method based on a discount rate of 3.50% as of October 1, 2013. A valuation was not performed for the fiscal year beginning October 1, 2014, so liabilities were carried forward from the October 1, 2013 valuation. Actuarial Accrued Liability determined under the projected unit credit cost method based on a discount rate of 3.50% as of October 1, 2015.

(2) Actuarial Accrued Liability less Actuarial Value of Assets.

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Statistical Section

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

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

Financial Trends

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net position:										
Net investment in capital assets	$310,655	$308,013	$297,472	$271,662	$244,561	$221,978	$211,960	$194,919	$183,307	$157,978
Restricted	143,796	117,120	103,988	101,291	111,401	102,698	90,119	85,620	89,398	88,223
Unrestricted	28,810	50,967	56,130	59,163	54,463	59,245	55,182	46,713	44,984	33,906
Total net position	$483,262	$476,100	$457,590	$432,116	$410,425	$383,921	$357,261	$327,253	$317,689	$280,106

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:										
Sales and services charges	$207,550	$207,767	$192,061	$170,446	$169,799	$172,361	$158,868	$168,185	$213,610	$163,497
Less utilities service to the City of Brownsville, Texas	(4,804)	(4,810)	(4,840)	(4,274)	(4,228)	(4,278)	(4,069)	(4,228)	(4,605)	(4,118)
Total operating revenues	202,746	202,958	187,222	166,172	165,571	168,083	154,799	163,957	209,005	159,379
Operating expenses:										
Purchased power and fuel	65,977	65,221	66,942	53,915	48,039	52,503	53,527	58,654	88,279	59,551
Personnel services	49,077	33,303	32,822	30,616	27,962	27,388	26,025	25,136	24,187	22,875
Materials and supplies	6,961	7,347	7,376	7,433	7,276	7,161	6,444	6,537	6,881	5,196
Repairs and maintenance	2,666	2,983	3,688	2,030	2,794	3,235	3,106	1,346	834	1,087
Contractual and other services	24,443	21,522	19,153	19,319	18,972	18,166	19,570	21,065	23,407	16,831
Depreciation	29,064	29,507	28,409	27,366	23,602	28,270	25,555	24,663	23,691	22,771
Total operating expenses	178,187	159,883	158,390	140,678	128,646	136,723	134,227	137,402	167,278	128,310
Operating income	24,559	43,075	28,832	25,494	36,926	31,360	20,572	26,556	41,727	31,069
Nonoperating revenues (expenses):										
Investment and interest income	1,202	841	533	564	672	629	841	1,812	4,142	6,863
Interest expense	(14,743)	(14,509)	(15,109)	(15,654)	(15,580)	(16,131)	(16,515)	(16,819)	(15,864)	(16,157)
Operating grant revenues	-	-	-	-	-	-	-	-	1,250	-
Loss on disposition of capital assets	(1,019)	(3,578)	(1,028)	(116)	(1,417)	(359)	(140)	(157)	(762)	-
Other	457	1,599	1,213	(1,484)	(582)	(2,157)	11,086	523	(1,183)	(1,484)
Payments to City of Brownsville	(9,823)	(9,040)	(7,614)	(7,189)	(7,738)	(7,488)	(7,570)	(6,381)	(7,390)	(6,233)
Net nonoperating revenues (expenses)	(23,926)	(24,687)	(22,006)	(23,878)	(24,645)	(25,507)	(12,298)	(21,023)	(19,806)	(17,012)
Income before capital contributions	633	18,388	6,826	1,616	12,280	5,853	8,274	5,533	21,921	14,057
Capital contributions	6,528	12,965	18,648	20,075	14,224	20,807	21,735	4,804	12,752	5,919
Change in net position	7,161	31,353	25,474	21,691	26,504	26,660	30,009	10,337	34,673	19,976
Net position, beginning of year	476,100	457,590	432,116	410,425	383,921	357,261	327,253	317,689	280,106	260,131
Prior Period Adjustment	-	(12,843)	-	-	-	-	-	(773)	2,909	-
Net position, beginning of year as restated	476,100	444,747	432,116	410,425	383,921	357,261	327,253	316,916	283,016	260,131
Net position, end of year	$483,262	$476,100	$457,590	$432,116	$410,425	$383,921	$357,261	$327,253	$317,689	$280,106

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Revenue Capacity

REVENUE CAPACITY

AVERAGE NUMBER OF SERVICES BILLED BY UTILITY[1]

LAST TEN YEARS

FY	ELECTRIC	% CHANGE	WATER	% CHANGE	WASTEWATER	% CHANGE
2016	48,196	1.10%	49,598	1.23%	49,693	1.33%
2015	47,671	0.91%	48,997	1.00%	49,041	1.06%
2014	47,242	1.10%	48,510	1.11%	48,528	1.16%
2013	46,730	1.37%	47,976	1.06%	47,972	1.09%
2012	46,102	1.32%	47,477	1.76%	47,456	1.83%
2011	45,500	1.19%	46,656	1.51%	46,605	1.79%
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%

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

REVENUE CAPACITY
REVENUES BY UTILITY - LAST TEN YEARS

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
ELECTRIC					
Residential	$ 63,681,205	$ 64,980,210	$ 63,035,376	$ 51,861,710	$ 48,562,146
Commercial	68,559,278	71,696,062	68,505,305	59,576,916	54,952,907
Municipal	3,846,235	4,035,358	3,916,022	3,336,413	3,157,165
Wholesale sales	16,397,987	12,182,728	921,782	237,173	605,125
Other	7,458,124	9,325,630	9,792,100	8,925,031	16,626,285
Total Electric Operating Revenues	$159,942,829	$162,219,988	$146,170,585	$123,937,243	$123,903,628
WATER					
Inside city	$ 21,796,229	$ 20,340,255	$ 20,594,551	$ 20,333,223	$ 20,389,340
Outside city	811,938	777,023	766,496	735,224	699,401
Municipal	624,615	514,875	618,616	617,202	686,274
Other	1,111,918	1,342,068	1,162,867	1,054,328	1,032,247
Southmost Regional Water Authority	466,928	447,797	488,079	1,023,081	428,572
Total Water Operating Revenues	$ 24,811,628	$ 23,422,018	$ 23,630,609	$ 23,763,058	$ 23,235,834
WASTEWATER					
Residential	$ 13,728,898	$ 13,251,741	$ 13,578,070	$ 14,135,642	$ 14,128,726
Commerical	6,949,099	6,841,017	6,712,829	6,734,506	6,713,307
Municipal	333,262	259,508	304,992	320,569	384,562
Outside city	1,208,890	1,181,106	1,087,237	1,050,009	984,754
Other	575,617	592,120	577,059	505,472	448,444
Total Wastewater Operating Revenues	$ 22,795,766	$ 22,125,492	$ 22,260,187	$ 22,746,198	$ 22,659,793
TOTAL SALES AND SERVICE CHARGES	$207,550,223	$207,767,498	$192,061,381	$170,446,499	$169,799,255

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
ELECTRIC					
Residential	$ 50,187,194	$ 47,971,715	$ 46,515,011	$ 53,591,810	$ 48,956,516
Commercial	55,235,857	55,336,855	55,839,361	68,404,294	60,065,750
Municipal	3,454,302	3,420,281	3,551,221	3,953,891	3,479,751
Wholesale sales	3,124,675	5,532,956	6,268,813	19,172,024	7,923,735
Other	15,491,119	7,008,117	14,114,934	28,262,591	4,531,350
Total Electric Operating Revenues	$127,493,147	$119,269,924	$126,289,340	$173,384,610	$124,957,102
WATER					
Inside city	$ 19,901,457	$ 17,448,496	$ 18,909,283	$ 18,031,651	$ 16,866,807
Outside city	675,821	581,350	419,261	616,728	532,163
Municipal	587,860	464,828	487,526	464,790	424,542
Other	1,140,972	971,331	771,705	810,382	1,025,750
Southmost Regional Water Authority	367,143	469,462	355,486	325,247	300,892
Total Water Operating Revenues	$ 22,673,253	$ 19,935,467	$ 20,943,261	$ 20,248,798	$ 19,150,154
WASTEWATER					
Residential	$ 13,858,701	$ 12,002,652	$ 13,046,933	$ 12,292,537	$ 11,408,673
Commercial	6,565,949	6,171,734	6,384,964	6,222,760	6,178,300
Municipal	236,123	184,228	188,825	186,470	213,619
Outside city	1,042,823	908,149	933,894	847,091	801,959
Other	490,847	396,032	397,741	427,688	786,940
Total Wastewater Operating Revenues	$ 22,194,443	$ 19,662,795	$ 20,952,357	$ 19,976,546	$ 19,389,491
TOTAL SALES AND SERVICES CHARGES	$172,360,843	$158,868,186	$168,184,958	$213,609,954	$163,496,747

REVENUE CAPACITY

UNIT SALES BY UTILITY - LAST TEN YEARS [1]

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
ELECTRIC SERVICE (kWh)					
Residential	564,931,382	551,304,652	567,334,136	533,303,461	550,169,186
Commercial Non-Demand	135,844,893	128,892,385	132,918,707	134,939,048	136,833,986
Municipal	39,500,507	38,995,522	39,371,016	38,895,227	38,876,114
Commercial Demand	557,349,627	554,994,514	558,708,943	570,125,749	577,866,685
Other	2,403,423	2,227,059	2,226,006	2,232,972	2,234,448
Total Electric Unit Sales	1,300,029,832	1,276,414,132	1,300,558,808	1,279,496,457	1,305,980,419
WATER SERVICE - 1,000 GALLONS					
Inside City	5,560,741	5,281,931	5,753,783	6,294,433	6,269,037
Outside City	155,104	148,956	155,398	161,450	150,957
Municipal	158,741	122,006	176,477	189,804	223,176
Other	465,077	461,178	506,676	555,452	582,502
Total Water Unit Sales	6,339,663	6,014,071	6,592,334	7,201,139	7,225,672
WASTEWATER SERVICE - 1,000 GALLONS					
Residential	2,709,033	2,554,154	2,795,399	3,036,404	3,024,487
Commercial	1,601,296	1,560,177	1,604,591	1,677,306	1,659,010
Municipal	78,448	58,998	74,464	80,169	98,579
Outside City	111,277	106,175	118,228	122,924	118,546
Other	-	-	-	3,671	6,197
Total Wastewater Unit Sales	4,500,054	4,279,504	4,592,682	4,920,474	4,906,819

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
ELECTRIC SERVICE					
Residential	550,421,195	528,459,863	500,830,035	492,440,123	482,667,057
Commercial Non-Demand	136,117,506	131,502,719	131,592,355	151,550,919	144,469,924
Municipal	39,038,235	38,912,608	38,693,875	37,337,658	35,891,236
Commercial Demand	552,274,846	547,906,595	538,603,116	553,765,276	556,660,013
Other	2,188,674	2,183,004	2,156,058	2,210,427	2,249,019
Total Electric Unit Sales	1,280,040,456	1,248,964,789	1,211,875,439	1,237,304,403	1,221,937,249
WATER SERVICE					
Inside City	6,431,432	5,488,648	6,117,159	5,802,459	5,425,569
Outside City	159,187	138,846	147,236	127,173	124,426
Municipal	190,732	129,757	153,402	130,520	128,075
Other	576,616	524,299	581,193	491,686	520,179
Total Water Unit Sales	7,357,967	6,281,550	6,998,990	6,551,838	6,198,249
WASTEWATER SERVICE					
Residential	3,102,690	2,605,256	2,930,048	2,770,296	2,513,955
Commercial	1,703,770	1,597,067	1,654,968	1,600,161	1,546,491
Municipal	60,720	45,905	47,571	48,953	56,673
Outside City	125,817	107,481	117,281	103,510	94,591
Other	6,861	8,248	8,579	7,333	10,275
Total Wastewater Unit Sales	4,999,858	4,363,957	4,758,447	4,530,253	4,221,985

[1] Excludes Public Utilities Board's usage

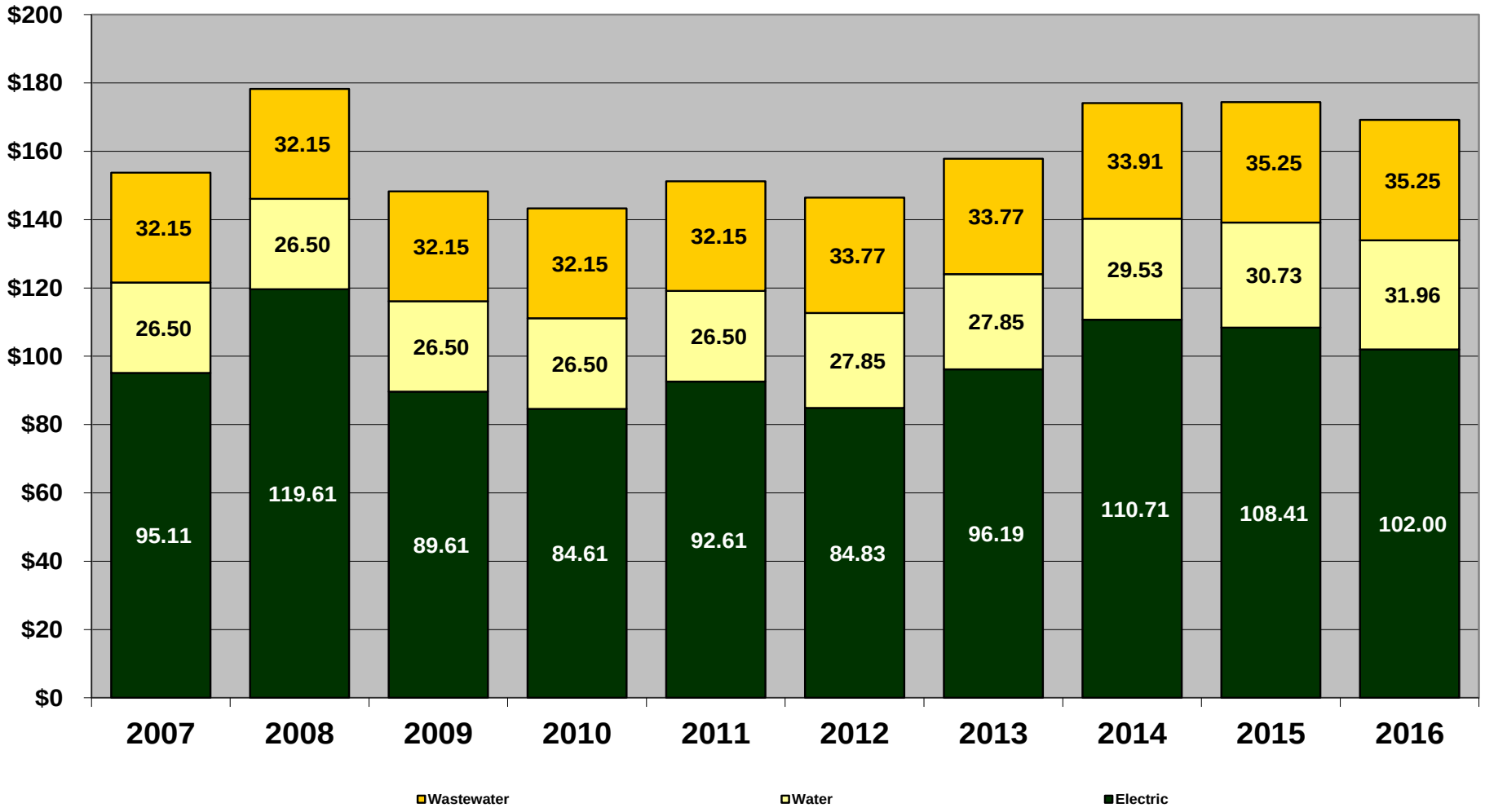
REVENUE CAPACITY
TEN YEAR RATE ANALYSIS
RESIDENTIAL RATES

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ELECTRIC [1]										
Customer Service Charge	$ 6.49	$ 6.01	$ 5.62	$ 5.25	$ 3.53	$ 3.53	$ 2.53	$ 2.53	$ 2.53	$ 5.53
Energy Charge										
First 500 kWh	0.05241	0.05022	0.04862	0.04708	0.04708	0.04708	0.04708	0.04708	0.04708	0.04708
Over 500 kWh	0.07058	0.06458	0.05964	0.05479	0.05152	0.04708	0.04708	0.04708	0.04708	0.04708
Fuel & Purchased Power	0.03401	0.04500	0.05096	0.04000	0.03200	0.04200	0.03500	0.04000	0.07000	0.04250
WATER (Inside City) [2]										
0-3,000 gallons	1.87	1.80	1.73	1.63	1.63	1.55	1.55	1.55	1.55	1.55
4,000-9,000 gallons	2.07	1.99	1.91	1.80	1.80	1.71	1.71	1.71	1.71	1.71
10,000 to 16,000 gallons	2.55	2.45	2.36	2.23	2.23	2.12	2.12	2.12	2.12	2.12
Over 16,000 gallons	3.85	3.70	3.56	3.36	3.36	3.20	3.20	3.20	3.20	3.20
Customer Service Charge										
5/8x3/4 Water Meter Size	11.38	10.94	10.52	9.93	9.93	9.47	9.47	9.47	9.47	9.47
WATER (Outside City) [2]										
0-3,000 gallons	2.81	2.70	2.68	2.65	2.65	2.52	2.52	2.52	2.52	2.52
4,000-9,000 gallons	3.11	2.98	2.95	2.93	2.93	2.79	2.79	2.79	2.79	2.79
10,000 to 16,000 gallons	3.83	3.68	3.10	3.05	3.05	2.90	2.90	2.90	2.90	2.90
Over 16,000 gallons	5.78	5.55	4.60	4.56	4.56	4.34	4.34	4.34	4.34	4.34
Customer Service Charge										
5/8 x 3/4 Water Meter Size	17.09	16.43	15.8	14.90	14.90	14.21	14.21	14.21	14.21	14.21
SEWER (Inside City) [3]										
Rate per 1,000 gallons	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0-7,000 gallons	3.43	3.43	3.30	3.29	3.29	3.13	3.13	3.13	3.13	3.13
over 7,000 gallons	3.76	3.76	3.62	3.57	3.57	3.40	3.40	3.40	3.40	3.40
Customer Service Charge										
5/8 x 3/4 Water Meter Size	7.48	7.48	7.19	7.17	7.17	6.84	6.84	6.84	6.84	6.84
SEWER (Outside City)										
Rate per 1,000 gallons	$ 5.65	$ 5.65	$ 5.43	$ 5.36	$ 5.36	$ 5.10	$ 5.10	$ 5.10	$ 5.10	$ 5.10
Customer Service Charge										
5/8 x 3/4 Water Meter Size	11.22	11.22	10.79	10.75	10.75	10.26	10.26	10.26	10.26	10.26

[1] Electric rates were tiered effective fiscal year 2012.
[2] Water rates were tiered effective fiscal year 2006.
[3] Wastewater rates were tiered effective March 2007.
Note: The City Commission of the City of Brownsville, Texas is vested with the right to set utility rates.

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)



REVENUE CAPACITY
SYSTEM RATE INCREASES - LAST TEN YEARS

	Electric	Water	Wastewater
2016	**8.0%**	**4.0%**	**-**
2015	**7.0%**	**4.0%**	**4.0%**
2014	**7.0%**	**6.0%**	**2.0%**
2013	**7.0%**	**-**	**-**
2012	**5.0%**	**5.0%**	**5.0%**
2011	**-**	**-**	**-**
2010	**-**	**-**	**-**
2009	**-**	**-**	**-**
2008	**-**	**-**	**-**
2007	**-**	**-**	**-**

Debt Capacity

DEBT CAPACITY

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

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
OPERATING INCOME	$33,093,794	$42,008,204	$27,256,483	$21,947,648	$32,747,013
ADD:					
Depreciation Expense	28,132,537	28,642,402	27,544,181	26,503,185	22,739,173
Investment & Other Income	1,163,964	815,942	504,537	546,098	654,057
LESS:					
Interest on Construction Funds	(193,527)	(128,019)	(94,376)	(8,823)	(13,501)
NET AVAILABLE INCOME	$62,196,768	$71,338,529	$55,210,825	$48,988,108	$56,126,742
DEBT SERVICE:					
Revenue Bonds Payable Current	$12,173,000	$12,066,000	$10,100,000	$8,649,000	$8,277,000
Total Interest Expense	13,747,956	13,538,613	14,275,285	15,310,103	14,399,174
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	17,902	13,671	5,929	14,359	39,891
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	$25,938,858	$25,618,284	$24,381,214	$23,973,462	$22,716,065
DEBT SERVICE COVERAGE (TIMES)	2.40	2.78	2.26	2.04	2.47

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
OPERATING INCOME	$27,225,798	$31,287,495	$22,931,849	$27,381,991	$27,381,991
ADD:					
Depreciation Expense	27,407,627	24,695,565	23,805,841	21,902,616	21,902,616
Investment & Other Income	611,866	829,400	1,789,499	6,732,065	6,732,065
LESS:					
Interest on Construction Funds	(41,141)	(54,790)	(211,610)	(2,436,113)	(2,436,113)
NET AVAILABLE INCOME	$55,204,150	$56,757,670	$48,315,579	$53,580,559	$53,580,559
DEBT SERVICE:					
Revenue Bonds Payable Current	$7,856,000	$7,530,000	$6,779,000	$8,099,000	$8,099,000
Total Interest Expense	14,829,065	15,186,316	15,216,696	13,468,041	13,468,041
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	36,668	34,755	-	1,520,835	1,520,835
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	$22,721,733	$22,751,071	$21,995,696	$23,087,876	$23,087,876
DEBT SERVICE COVERAGE (TIMES)	2.43	2.49	2.20	2.32	2.32

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

DEBT CAPACITY

PRINCIPAL PAYMENTS PAYABLE ON ALL DEBT ISSUES

THROUGH FY 2045

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 Revenue Refunding Bonds 2012	Pub Revenue Refunding Bonds 2013	Pub Revenue Refunding Bonds 2015	Pub Revenue Refunding Bonds 2016	Pub Junior Lien Revenue Bonds 2007	Pub Junior Lien Revenue Bonds 2012	SRWA Water Supply Contract Refunding Bonds 2006	SRWA Water Supply Contract Refunding Bonds 2009A	SRWA Water Supply Contract Refunding Bonds 2009B	SRWA Water Supply Contract Refunding Bonds 2012	Total
2017	$ -	$ -	$ 3,110,000	$ -	$ 605,000	$ 950,000	$ 8,185,000	$ -	$ 29,000	$ 35,000	$ 25,000	$ 310,000	$ 165,000	$ 825,000	$ 14,239,000
2018	-	-	3,270,000	-	615,000	935,000	8,570,000	-	31,000	35,000	25,000	310,000	175,000	840,000	14,806,000
2019	-	-	635,000	-	640,000	910,000	8,995,000	2,665,000	32,000	35,000	935,000	310,000	180,000	-	15,337,000
2020	-	-	670,000	-	665,000	7,445,000	2,950,000	2,790,000	34,000	40,000	30,000	310,000	190,000	935,000	16,059,000
2021	-	-	705,000	-	690,000	7,750,000	3,075,000	2,935,000	36,000	40,000	30,000	310,000	195,000	980,000	16,746,000
2022	-	-	735,000	-	720,000	8,020,000	3,215,000	3,085,000	37,000	40,000	30,000	310,000	205,000	1,030,000	17,427,000
2023	-	-	775,000	-	750,000	8,380,000	3,355,000	3,230,000	39,000	40,000	30,000	310,000	210,000	1,085,000	18,204,000
2024	-	-	810,000	-	780,000	8,755,000	3,500,000	3,395,000	41,000	45,000	35,000	310,000	220,000	1,135,000	19,026,000
2025	-	-	855,000	-	810,000	9,150,000	3,655,000	3,565,000	44,000	45,000	35,000	310,000	230,000	1,190,000	19,889,000
2026	-	-	895,000	-	840,000	9,565,000	3,765,000	3,745,000	46,000	45,000	35,000	310,000	240,000	1,255,000	20,741,000
2027	-	-	940,000	-	865,000	9,870,000	3,970,000	3,930,000	-	50,000	35,000	310,000	250,000	1,285,000	21,505,000
2028	-	-	395,000	-	895,000	10,450,000	5,045,000	1,515,000	-	50,000	1,570,000	310,000	260,000	-	20,490,000
2029	-	-	410,000	-	920,000	10,920,000	5,280,000	1,580,000	-	50,000	1,635,000	310,000	270,000		21,375,000
2030	-	-	430,000	-	950,000	11,420,000	5,520,000	1,645,000	-	55,000	1,700,000	310,000	-		22,030,000
2031	100,000	-	455,000	-	985,000	11,820,000	5,675,000	1,705,000	-	55,000	1,770,000	310,000	-		22,875,000
2032	-	-	475,000	-	1,015,000	-	675,000	1,775,000	-	60,000	1,845,000	310,000	-		6,155,000
2033	-	-	500,000	-	1,050,000	-	705,000	1,850,000	-	-	-	310,000	-		4,415,000
2034	-	-	-	-	1,085,000	-	730,000	-	-	-	-	310,000	-		2,125,000
2035	-	-	-	-	1,125,000	-	760,000	-	-	-	-	310,000	-		2,195,000
2036	-	-	-	-	1,165,000	-	790,000	-	-	-	-	310,000	-		2,265,000
2037	-	-	-	-	1,210,000	-	825,000	-	-	-	-	310,000	-		2,345,000
2038	-	-	-	-	-	-	855,000	-	-	-	-	310,000	-		1,165,000
2039	-	-	-	-	-	-	890,000	-	-	-	-	305,000	-		1,195,000
2040	-	-	-	-	-	-	930,000	-	-	-	-	-	-		930,000
2041	-	-	-	-	-	-	965,000	-	-	-	-	-	-		965,000
2042	-	-	-	-	-	-	1,010,000	-	-	-	-	-	-		1,010,000
2043	-	-	-	-	-	-	1,050,000	-	-	-	-	-	-		1,050,000
2044	-	-	-	-	-	-	1,095,000	-	-	-	-	-	-		1,095,000
2045	-	-	-	-	-	-	1,145,000	-	-	-	-	-	-		1,145,000
	$ 100,000	$ -	$ 16,065,000	$ -	$ 18,380,000	$ 116,340,000	$ 87,180,000	$ 39,410,000	$ 369,000	$ 720,000	$ 9,765,000	$ 7,125,000	$ 2,790,000	$ 10,560,000	$ 308,804,000

Debt Allocation By Utility	
Electric	$ 187,335,413
Water	67,070,862
Wastewater	54,397,726
Total Debt Capacity	$ 308,804,000

Debt per Rate Payor	
Electric	$ 3,855
Water	$ 1,346
Wastewater	$ 1,097

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

Fiscal Year	Revenue Bonds (1)	Capital Leases	Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Debt Per Capita
2016	$ 345,587,392	$ -	$ 345,587,392	12.90%	184,865	$ 1,869
2015	$ 356,249,806	$ -	$ 356,249,806	13.78%	183,046	$ 1,946
2014	$ 349,829,002	$ -	$ 349,829,002	13.58%	181,860	$ 1,924
2013	$ 362,485,617	$ -	$ 362,485,617	14.85%	180,097	$ 2,013
2012	$ 327,549,164	$ -	$ 327,549,164	14.51%	175,023	$ 1,871
2011	$ 337,425,844	$ -	$ 337,425,844	14.93%	175,023	$ 1,928
2010	$ 346,587,814	$ -	$ 346,587,814	16.75%	175,023	$ 1,980
2009	$ 342,824,099	$ -	$ 342,824,099	16.68%	176,859	$ 1,938
2008	$ 350,659,585	$ -	$ 350,659,585	17.37%	172,806	$ 2,029
2007	$ 317,086,352	$ -	$ 317,086,352	16.48%	172,437	$ 1,839

(1) Presented net of original issuance discounts and premiums
(2) Personal income is disclosed on page 87
(3) Population estimates U.S. Census Bureau

Demographic and Economic Information

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DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population*	Per Capita Income	(Thousand's of Dollars) Personal Income	Median Age	Education Level in Years of Formal Schooling	Public School Enrollment	Unemployment Rate
2016	184,865	$ 14,489	$ 2,678,509	30.6	64.1%-High School 17.5%-Bachelor's Degree	47,749	6.60%
2015	183,046	$ 14,124	$ 2,585,342	29.8	63.1%-High School 17.2%-Bachelor's Degree	47,717	6.50%
2014	181,860	$ 14,167	$ 2,576,411	29.3	64.3%-High School 18.4%-Bachelor's Degree	48,248	8.10%
2013	180,097	$ 13,556	$ 2,441,395	29.5	61.8%-High School 15.7%-Bachelor's Degree	49,247	10.30%
2012	175,023	$ 12,900	$ 2,257,797	29.5	60.3%-High School 15.0%-Bachelor's Degree	49,271	10.50%
2011	175,023	$ 12,917	$ 2,260,772	29.5	60.2%-High School 15.6%-Bachelor's Degree	49,587	12.40%
2010	175,023	$ 11,824	$ 2,069,472	27.0	58.5%-High School 15.2%-Bachelor's Degree	49835	11.60%
2009	176,859	$ 11,623	$ 2,055,632	27.6	58.5%-High School 15.8%-Bachelor's Degree	49,605	10.90%
2008	172,806	$ 11,685	$ 2,019,238	26.9	57.9%-High School 15.2%-Bachelor's Degree	49,082	7.50%
2007	172,437	$ 11,161	$ 1,924,569	26.9	57.9%-High School 15.2%-Bachelor's Degree	48,799	5.90%

*Population Estimates U.S. Census Bureau

SOURCES:

Brownsville Independent School District

U.S. Census Bureau

U.S. Bureau of Labor Statistics

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

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

Source:
Brownsville Economic Development Council

- Continued

* The University of Texas at Brownsville was merged on September 1, 2015 with
The University of Texas Pan American and is now the University of Texas Rio Grande Valley (RGV)

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

2013			2012			2011			2010		
Employees	Rank	Percentage of Total City Employment		Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
7,708	1	4.82%	7,708	1	10.73%	7,708	1	6.25%	7,434	1	6.03%
2,900	2	1.81%	2,900	2	4.04%	1,600	4	1.30%	1,695	4	1.37%
2,343	4	1.46%	2,343	4	3.26%	2,343	2	1.90%	2,386	2	1.94%
2,040	5	1.28%	2,040	5	2.84%	2,040	3	1.65%	2,076	3	1.68%
1,055	8	0.66%	1,055	8	1.47%	1,174	6	0.95%	1,174	6	0.95%
1,200	6	0.75%	1,200	6	1.67%	1,200	5	0.97%	1,178	5	0.96%
-	-	-	-	-	-	623	7	0.51%	1,000	7	0.81%
975	9	0.61%	975	9	1.36%	975	8	0.79%	975	8	0.79%
786	10	0.49%	786	10	1.09%	786	9	0.64%	757	9	0.61%
2,635	3	1.65%	2,635	3	3.67%	-	-	-	-	-	-
1,200	7	0.75%	1,200	7	1.67%	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	738	10	0.60%	717	10	0.58%
22,842		14.28%	22,842		31.80%	19,187		15.56%	19,392		15.73%

Source:
Brownsville Economic Development Council

- Continued

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

Employer	2009 Employees	2009 Rank	2009 Percentage of Total City Employment	2008 Employees	2008 Rank	2008 Percentage of Total City Employment	2007 Employees	2007 Rank	2007 Percentage of Total City Employment
Brownsville I.S.D.	7,080	1	5.69%	7,080	1	5.61%	7,080	1	5.71%
Keppel Amfels	2,273	2	1.83%	2,273	2	1.80%	2,273	2	1.83%
University of Texas RGV *	2,077	3	1.67%	2,077	3	1.64%	2,077	3	1.67%
Cameron County	1,838	4	1.48%	1,838	4	1.46%	1,838	4	1.48%
Wal-Mart	1,174	5	0.94%	1,174	5	0.93%	1,174	5	0.95%
City of Brownsville	1,114	6	0.90%	1,114	6	0.88%	1,114	6	0.90%
Convergys Corp.	800	7	0.64%	800	7	0.63%	800	7	0.64%
H.E.B. Food Stores	760	8	0.61%	760	8	0.60%	760	8	0.61%
Valley Regional Medical Center	757	9	0.61%	757	9	0.60%	757	9	0.61%
Caring For You Home Health	-	-	-	-	-	-	-	-	-
Abundant Life Home Health	-	-	-	-	-	-	-	-	-
Maximus	-	-	-	-	-	-	-	-	-
Valley Baptist Medical Center	717	10	0.58%	717	10	0.57%	717	10	0.58%
	18,590		14.94%	18,590		14.72%	18,590		14.98%

Source:
Brownsville Economic Development Council

* The University of Texas at Brownsville was merged on September 1, 2015 with
The University of Texas Pan American and is now the University of Texas Rio Grande Valley (RGV)

Operating Information

OPERATING INFORMATION
EXPENSES BY UTILITY - LAST TEN YEARS

	FY 2016	FY 2015	FY 2014	FY 2013
ELECTRIC				
Generation and Purchases for Resale	$ 73,645,545	$ 72,523,667	$ 73,010,092	$ 58,343,217
Transmission and Distribution	6,912,082	6,499,004	6,284,873	6,305,706
Administrative and General	34,583,521	21,524,432	20,437,763	20,656,916
Depreciation	15,069,917	14,887,881	14,768,870	14,793,412
Total Electric Operating Expenses	$ 130,211,065	$ 115,434,984	$ 114,501,598	$ 100,099,251
WATER				
Plant Operations	$ 5,129,025	$ 5,581,020	$ 6,397,130	$ 5,649,170
Transmission and Distribution	3,082,104	2,901,226	2,743,060	2,565,614
Administrative and General	7,250,855	5,141,431	5,325,225	4,748,131
Depreciation	5,116,669	5,622,967	5,543,534	5,345,962
Total Water Operating Expenses	$ 20,578,653	$ 19,246,644	$ 20,008,949	$ 18,308,877
WASTEWATER				
Plant Operations	$ 6,526,539	$ 6,417,406	$ 6,656,181	$ 6,138,037
Transmission and Distribution	837,287	1,160,632	920,364	764,006
Administrative and General	7,667,223	5,502,973	5,431,148	5,171,407
Depreciation	7,945,949	8,131,553	7,231,777	6,363,811
Total Wastewater Operating Expenses	$ 22,976,998	$ 21,212,564	$ 20,239,470	$ 18,437,261
SOUTHMOST REGIONAL WATER AUTHORITY				
Administration and General	$ 3,489,520	$ 3,123,518	$ 2,775,244	$ 2,970,231
Depreciation	931,124	864,865	864,865	862,860
Total SRWA Operating Expenses	$ 4,420,644	$ 3,988,383	$ 3,640,109	$ 3,833,091
TOTAL OPERATING EXPENSES	$ 178,187,360	$ 159,882,575	$ 158,390,126	$ 140,678,480
OTHER NONOPERATING REVENUES (EXPENSES)[1]	$ (14,102,922)	$ (15,646,848)	$ (14,391,847)	$ (16,689,611)

Source:
Public Utilities Finance Department

[1] Excludes payments to City of Brownsville

FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
$ 54,353,235	$ 60,519,100	$ 64,165,188	$ 67,454,789	$ 101,176,542	$ 67,165,042
6,347,120	5,464,375	4,624,680	4,611,675	3,920,988	3,486,094
18,697,201	16,918,463	16,366,264	16,376,681	13,236,701	12,397,626
13,373,507	16,331,733	14,662,285	13,961,232	13,622,466	12,647,117
$ 92,771,063	$ 99,233,671	$ 99,818,417	$ 102,404,377	$ 131,956,697	$ 95,695,879
$ 4,993,739	$ 4,707,258	$ 3,432,591	$ 3,870,958	$ 3,122,381	$ 2,782,802
2,514,676	2,655,300	2,426,368	2,584,580	2,110,791	1,897,290
4,081,484	3,961,827	3,875,983	3,916,202	5,438,548	5,131,917
3,766,336	3,941,128	4,286,330	4,420,121	4,138,811	3,791,008
$ 15,356,235	$ 15,265,513	$ 14,021,272	$ 14,791,861	$ 14,810,531	$ 13,603,017
$ 5,967,684	$ 6,117,905	$ 5,539,157	$ 5,586,811	$ 5,039,214	$ 4,116,603
804,846	967,001	1,382,386	1,103,481	1,117,675	930,871
4,696,229	4,703,383	4,536,291	4,505,516	5,962,321	5,305,607
5,599,330	7,134,766	5,746,950	5,424,488	5,071,678	5,464,491
$ 17,068,089	$ 18,923,055	$ 17,204,784	$ 16,620,296	$ 17,190,888	$ 15,817,572
$ 2,587,656	$ 2,437,963	$ 2,322,669	$ 2,727,667	$ 2,461,614	$ 2,325,001
862,649	862,355	859,740	857,645	858,151	868,275
$ 3,450,305	$ 3,300,318	$ 3,182,409	$ 3,585,312	$ 3,319,765	$ 3,193,276
$ 128,645,692	$ 136,722,557	$ 134,226,882	$ 137,401,846	$ 167,277,881	$ 128,309,744
$ (16,906,771)	$ (18,019,030)	$ (4,728,236)	$ (14,641,424)	$ (12,416,165)	$ (10,778,680)

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

	FY 2016	FY 2015	FY 2014	FY 2013
SOURCES OF ENERGY (kWh)				
Total Net Energy Generated	1,231,840,523	806,397,153	921,011,194	924,212,443
Total Energy Purchased	428,953,100	690,167,500	578,306,000	508,341,700
TOTAL SOURCES OF ENERGY	1,660,793,623	1,496,564,653	1,499,317,194	1,432,554,143
Less: System Losses and Inadvertent Energy (kWh)	(22,449,897)	(25,996,837)	(27,903,614)	(27,070,226)
Net Available for Sale (kWh)	1,638,343,726	1,470,567,816	1,471,413,580	1,405,483,917
Sales for Resale (kWh)	(316,499,025)	(70,155,740)	(12,239,700)	(5,915,000)
NET ENERGY FOR LOAD	1,321,844,701	1,400,412,076	1,459,173,880	1,399,568,917
WATER STATISTICS				
Water Production - 1,000 Gallons				
Raw Water Treated	5,301,156	5,216,966	5,888,490	6,611,306
Raw Water Used in Plant	(160,738)	(235,716)	(54,450)	(398,363)
Surface Water Treated	5,140,418	4,981,250	5,834,040	6,212,943
SRWA (Purchased Water)*	2,317,634	2,092,497	1,816,125	1,963,421
Water Pumped to City	7,458,052	7,073,747	7,650,165	8,176,364
Water Sales	6,392,340	6,055,349	6,636,736	7,251,194
Other Unmetered Usage	130,685	89,772	208,500	227,400
Losses and Unaccounted for Gallonage	935,027	928,626	804,929	697,770
Thousand Gallons to System	7,458,052	7,073,747	7,650,165	8,176,364
Unaccounted For	12.54%	13.13%	10.52%	11.32%
Average Daily Consumption	29,222	22,253	21,078	22,334
Peak Maximum Demand (MG)	29	27	29	30
Date	8/10/2016	8/11/2015	8/21/2014	7/3/2013
WASTEWATER STATISTICS				
Annual Demand (1,000 Gals.)	5,580,261	5,916,884	5,047,953	4,799,312
Maximum Day (MG)	32.6	36.2	32.2	29.1

* FY 2007 through FY 2016 Water Production includes Southmost Regional Water Authority Production.

FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
830,108,370	1,353,750,565	1,577,510,000	1,120,083,000	1,304,850,000	1,174,655,000
704,742,700	429,383,640	378,317,000	528,558,000	181,698,000	224,840,000
1,534,851,070	1,783,134,205	1,955,827,000	1,648,641,000	1,486,548,000	1,399,495,000
-	-	(69,693,000)	(82,039,000)	(67,321,000)	(34,606,000)
1,534,851,070	1,783,134,205	1,886,134,000	1,566,602,000	1,419,227,000	1,364,889,000
(48,313,210)	(245,366,425)	(366,669,000)	(250,127,000)	(84,279,000)	(50,295,000)
1,486,537,860	1,537,767,779	1,519,465,000	1,316,475,000	1,334,948,000	1,314,594,000
6,742,810	7,502,790	7,073,522	8,217,557	7,427,578	6,572,379
(515,470)	(791,199)	(845,261)	(439,663)	(290,178)	(250,170)
6,227,340	6,711,591	6,228,261	7,777,894	7,137,400	6,322,209
2,025,507	1,929,481	1,947,011	1,617,101	1,649,267	1,762,984
8,252,847	8,641,072	8,175,272	9,394,995	8,786,667	8,085,193
7,259,778	7,417,175	6,321,717	7,062,104	6,624,490	6,245,897
98,519	68,577	88,719	44,915	21,809	29,067
894,550	1,155,320	1,764,836	2,287,976	2,140,368	1,810,229
8,252,847	8,641,072	8,175,272	9,394,995	8,786,667	8,085,193
10.84%	13.37%	21.59%	24.35%	24.61%	22.39%
22,541	23,674	22,398	25,740	24,007	22,151
29	30	29	39	33	31
6/18/2012	6/17/2011	4/5/2010	6/16/2009	6/19/2008	6/19/2007
4,885,625	4,992,236	5,522,605	5,052,595	5,154,241	4,966,233
25.9	32.6	38.5	25.5	19.7	26.6

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

	DEPARTMENT	Budget FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
1110	General Manager	3	3	3	5	4	5	4	4	5	4
1120	Internal Audit	3	3	3	3	3	3	3	2	3	1
1125	Key Account Marketing	5	5	6	6	3	3	3	3	3	3
1130	Communications & Adm. Services	2	2	2	2	2	4	3	3	4	3
1135	Communications & Public Relations	4	4	4	4	3	3	2	2	2	1
1140	Organizational Development	3	3	3	3	3	3	3	3	4	3
1145	Electrical Systems [3]	0	0	2	2	1	1	1	1	1	1
1150	Board of Directors [2]	0	0	0	0	0	0	0	0	0	0
1165	Records Management	2	2	2	2	2	0	0	0	0	0
1410	Environmental Services	5	4	4	4	3	3	6	6	8	5
1440	Health & Safety	6	6	6	6	6	5	4	4	4	3
4105	Operations	2	2	0	0	0	0	0	0	0	0
4310	Operational Support Services	2	2	0	0	0	0	0	0	0	0
5110	Finance	7	8	6	6	7	6	6	6	5	5
5120	Accounting	16	15	14	14	12	12	11	11	12	11
5130	Purchasing	7	7	6	6	6	6	6	6	6	12
5140	Revenue Recovery	3	3	3	3	3	3	2	2	1	0
6105	Customer & Information Services	3	3	3	3	3	3	4	4	4	4
6110	Customer Service	14	14	11	11	10	11	10	10	9	10
6115	Collections	4	4	4	4	4	4	4	4	4	4
6120	Billing	7	8	7	7	7	7	6	6	7	9
6125	Call Center	11	11	10	10	11	10	8	8	7	7
6130	Meter Services	10	9	9	9	9	9	9	9	10	9
6135	CIS Support	3	3	3	3	3	3	3	3	3	3
6145	Energy Efficiency & Conservation	1	1	1	1	1	1	1	1	1	1
6150	Meter Reading	15	15	15	15	15	15	15	15	15	15
6160	Cashiers	9	9	9	9	7	8	8	8	9	8
7110	Administrative Services [2]	0	0	1	1	0	0	0	0	0	0
7120	Risk/Insurance Management	2	2	2	2	2	2	1	1	2	1
7130	Information Services	17	17	18	18	16	16	16	16	14	14
7135	GIS	11	11	13	13	12	11	8	8	9	8
7140	Human Resources	2	6	9	9	8	7	5	5	5	5
7145	Talent Acquisition & Staffing	3	3	0	0	0	0	0	0	0	0
7150	Fleet Management	10	10	10	10	9	9	8	7	8	7
7155	Compensation & Benefits [1]	4	0	0	0	0	0	0	0	0	0
7160	Facility Maintenance	4	4	4	4	4	4	4	4	5	4
7170	Warehouse	6	6	6	6	6	6	6	6	7	0
9110	Company-wide Expenses	2	0	3	3	0	0	0	0	0	0
	TOTAL ADMINISTRATIVE	208	205	202	204	185	183	170	168	177	161
1145	Electrical Systems [3]	3	3	0	0	0	0	0	0	0	0
1420	Environmental Compliance	6	6	6	6	6	6	3	3	3	3
2110	Electrical Trans & Dist Support Svcs [2, 3]	0	0	1	1	0	0	0	0	0	0
2120	Substations & Relaying	24	24	12	12	11	9	9	9	9	9
2130	Elec Trans & Dist New Const	28	28	31	31	29	30	29	29	31	28
2140	Elec Trans & Dist Maintenance	22	22	31	31	28	28	27	27	29	26
2150	Energy Control Center Operations	15	15	14	14	13	13	13	13	12	12
2210	SCADA & Electrical Support Svc.	19	19	17	17	23	23	20	19	19	16
2220	Power Production	27	27	28	28	25	25	23	23	23	24
2310	Electric Meter Shop	8	8	8	8	7	7	7	7	9	7
2410	Electric Engineering	14	14	14	14	13	15	16	16	17	17
4105	Operations	0	0	3	3	0	0	0	0	0	0
4110	Energy Risk Management	2	1	1	1	0	0	0	0	0	0
4210	NERC Compliance	5	5	3	3	0	0	0	0	0	0
4220	Fuel & Purchased Energy Supply	1	2	2	2	0	0	0	0	0	0
4230	Natural Gas Utility Management [2]	0	0	0	0	0	0	0	0	0	0
4310	Operational Support Services	0	0	1	1	0	0	0	0	0	0
	TOTAL ELECTRIC	174	174	172	172	155	156	147	146	152	142
1422	Analytical Lab	16	16	16	16	13	14	12	12	13	13
1430	Pre-treatment	11	12	10	10	9	9	9	9	11	11
3110	W & WW Eng. Planning & Operations [3]	2	2	2	2	4	4	4	4	4	4
3120	Water Plant I	10	10	9	9	8	9	8	9	9	9
3130	Water Plant II	8	8	9	9	9	8	8	8	9	8
3135	Resaca Maintenance	17	17	20	20	11	1	0	0	0	0
3140	Raw Water Supply	4	4	3	3	3	3	2	2	3	14
3145	W/WW Plant Maintenance	13	13	13	13	13	15	12	12	13	0
3150	W/WW Operations & Const.	67	67	68	68	63	64	58	58	82	69
3210	South WW Treat Plant	10	10	9	9	9	9	11	11	9	8
3220	Robindale WW Treat Plant	11	11	12	12	12	13	8	9	10	9
3230	Wastewater Lift Stations	35	35	35	35	30	28	23	23	14	12
3310	Water & WW Engineering	16	16	21	21	23	22	22	21	15	14
4310	Operational Support Services	2	2	1	1	0	0	0	0	0	0
	TOTAL WATER/WASTEWATER	222	223	228	228	207	199	177	178	192	171
	OVERALL TOTAL NO. OF POSITIONS	604	602	602	604	547	538	494	492	521	474

Source:
Various utility departments

Note

[1] Denotes new department for 2017.

[2] Denotes departments with no personnel.

[3] Denotes departments with name changes in 2016.

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS

Electric Services Customer Name	FY 2016 Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	82,930,679	$ 8,074,400	6.34%
2. Texas Southmost College	29,685,682	2,243,917	1.76%
3. Trico Technologies Corp.	26,339,400	1,987,780	1.56%
4. H E B Stores	18,545,047	1,499,772	1.18%
5. Amfels Inc.	10,550,400	1,174,572	0.92%
6. Rich Product Corp	14,882,400	1,155,770	0.91%
7. Valley Baptist Medical Center	14,595,274	1,152,813	0.90%
8. Stripes Stores	12,643,537	1,097,611	0.86%
9. Cameron County	12,530,913	1,097,204	0.86%
10. University of Texas at Brownsville	14,055,966	1,078,717	0.85%
TOTAL	236,759,298	$ 20,562,556	16.13%

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

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

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

	FY 2015		
Electric Services Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	79,800,779	$ 8,228,510	6.26%
2. Texas Southmost College	28,612,106	2,341,473	1.78%
3. Trico Technologies Corp.	26,987,335	2,214,664	1.68%
4. Amfels Inc.	16,940,352	1,671,712	1.27%
5. H E B Stores	17,993,346	1,534,814	1.17%
6. Rich Product Corp	15,367,200	1,278,590	0.97%
7. Valley Baptist Medical Center	14,314,379	1,211,397	0.92%
8. University of Texas at Brownsville	14,053,305	1,206,786	0.92%
9. Cameron County	12,558,665	1,160,804	0.88%
10. Stripes Stores	12,390,231	1,158,672	0.88%
TOTAL	239,017,698	$ 22,007,422	16.74%
Water Services Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	308,395	$ 755,567	3.61%
2. Brownsville I S D	183,543	618,630	2.95%
3. Brownsville Navigation District	154,754	337,321	1.61%
4. Texas Southmost College	85,917	249,331	1.19%
5. Cameron County	66,011	169,046	0.81%
6. Rich Products Corp.	47,415	117,453	0.56%
7. Valley Baptist Medical Center	35,889	94,196	0.45%
8. Valley Regional Medical Center	31,089	82,082	0.39%
9. Trico Technologies Corp.	23,245	62,580	0.30%
10. Stripes Stores	18,416	60,127	0.29%
TOTAL	954,674	$ 2,546,333	12.15%
Wastewater Services Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	137,202	$ 610,011	2.89%
2. Cameron County	56,252	217,681	1.03%
3. Rich Products Corp.	36,347	137,635	0.65%
4. Valley Baptist Medical Center	35,273	136,981	0.65%
5. Texas Southmost College	24,651	112,574	0.53%
6. Valley Regional Medical Center	25,962	100,475	0.48%
7. Trico Technologies Corp.	22,679	88,193	0.42%
8. Brownsville Housing Authority	17,780	72,258	0.34%
9. Brownsville TX East Price Big 22 LLC	18,300	70,084	0.33%
10. Stripes Stores	16,079	69,692	0.33%
TOTAL	390,525	$ 1,615,584	7.64%

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2014		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville I S D	81,394,677	$ 7,982,880	7.65%
2.	Texas Southmost College	29,757,202	2,364,225	2.26%
3.	Trico Technologies Corp.	26,076,882	2,042,632	1.96%
4.	Amfels Inc.	14,654,796	1,456,034	1.39%
5.	H E B Stores	17,981,768	1,445,433	1.38%
6.	Rich Product Corp	16,072,800	1,262,227	1.21%
7.	Stripes Stores	13,051,210	1,174,860	1.13%
8.	Cameron County	12,889,301	1,152,045	1.10%
9.	Valley Baptist Medical Center	14,100,834	1,135,557	1.09%
10.	University of Texas at Brownsville	12,710,117	1,083,818	1.04%
	TOTAL	238,689,587	$ 21,099,711	20.21%

	Water Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	El Jardin Water Supply Corp.	343,059	$ 809,619	3.84%
2.	Brownsville I S D	215,999	668,450	3.17%
3.	Brownsville Navigation District	163,617	342,517	1.62%
4.	Texas Southmost College	75,695	218,096	1.03%
5.	Cameron County	72,941	178,458	0.85%
6.	Rich Products Corp.	52,280	124,082	0.59%
7.	University of Texas at Brownsville	37,468	126,380	0.60%
8.	Brownsville Housing Authority	34,667	96,588	0.46%
9.	Valley Baptist Medical Center	37,303	93,379	0.44%
10.	Valley Regional Medical Center	35,392	89,149	0.42%
	TOTAL	1,068,421	$ 2,746,718	13.02%

	Wastewater Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	Brownsville I S D	143,655	$ 610,610	2.81%
2.	Cameron County	64,848	246,499	1.13%
3.	Rich Products Corp.	40,161	146,318	0.67%
4.	Valley Baptist Medical Center	36,864	137,433	0.63%
5.	Brownsville Housing Authority	28,230	112,858	0.52%
6.	University of Texas at Brownsville	24,501	108,638	0.50%
7.	Valley Regional Medical Center	26,892	100,326	0.46%
8.	Texas Southmost College	21,672	98,314	0.45%
9.	Stripes Stores	18,529	75,777	0.35%
10.	T L G La Residencia LLC	18,689	68,892	0.32%
	TOTAL	424,041	$ 1,705,666	7.84%

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2013		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville I S D	83,302,903	$ 6,919,824	6.30%
2.	UTB/TSC	43,208,401	2,914,118	2.65%
3.	Amfels	22,049,568	1,720,293	1.57%
4.	Trico	24,558,061	1,631,879	1.49%
5.	H E B Stores	18,892,417	1,282,293	1.17%
6.	Stripes Stores	14,315,711	1,095,914	1.00%
7.	Rich Products Corp.	16,252,800	1,078,502	0.98%
8.	Cameron County	12,842,582	978,448	0.89%
9.	Valley Baptist Medical Center	14,294,152	975,292	0.89%
10.	Sunrise Mall	12,281,459	933,284	0.85%
	TOTAL	261,998,054	$ 19,529,847	17.78%

	Water Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	El Jardin Water Supply Corp.	350,432	$ 704,368	3.33%
2.	Brownsville I S D	219,760	625,415	2.96%
3.	UTB/TSC	144,053	376,537	1.78%
4.	Brownsville Navigation District	156,639	311,286	1.47%
5.	Cameron County	60,746	140,713	0.66%
6.	Rich Sea Pak Corp.	48,173	107,795	0.51%
7.	Brownsville Housing Authority	36,650	93,905	0.44%
8.	Buena Vista Burial Park	36,412	82,016	0.39%
9.	Valley Regional Medical Center	33,946	79,969	0.38%
10.	Valley Baptist Medical Center	26,656	64,512	0.30%
	TOTAL	1,113,467	$ 2,586,516	12.23%

	Wastewater Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	Brownsville I S D	134,666	$ 560,837	2.54%
2.	UTB/TSC	64,993	263,633	1.19%
3.	Rich Sea Pak Corp.	40,782	259,183	1.17%
4.	Cameron County	54,089	198,761	0.90%
5.	Brownsville Housing Authority	30,654	118,962	0.54%
6.	Valley Baptist Medical Center	26,205	96,934	0.44%
7.	Valley Regional Medical Center	25,919	95,006	0.43%
8.	Stripes Stores	18,139	72,265	0.33%
9.	Paseo Plaza	17,925	69,661	0.32%
10.	T L G La Residencia LLC	16,513	60,167	0.27%
	TOTAL	429,885	$ 1,795,409	8.12%

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		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	13,965,074	973,977	0.93%
9.	Valley Baptist Medical Center	14,147,915	910,455	0.87%
10.	Sunrise Mall	12,225,321	856,978	0.82%
	TOTAL	263,789,089	$ 18,206,018	17.44%

	Water Services	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	13.83%

	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	465,804	$ 1,891,695	8.69%

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2011		
	Electric Services	Annual Consumption	Annual Sales Revenue	Percent of Annual Sales Revenue
	Customer Name	(kWh)		
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%

Source:
Public Utilities Board Finance Department

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2010		
	Electric Services	Annual Consumption	Annual Sales Revenue	Percent of Annual Sales Revenue
	Customer Name	(kWh)		
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	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
	Customer Name			
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	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
	Customer Name			
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%

Source:
Public Utilities Board Finance Department

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	17.45%

	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	13.57%

	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	700,956	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	1,132,566	$ 1,904,876	9.39%

Source:
Public Utilities Board Finance Department

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%

Source:

Public Utilities Board Finance Department

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	$ 7,810,011	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	$ 630,940	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%

Source:

Public Utilities Board Finance Department

OPERATING INFORMATION
CAPITAL ASSETS STATISTICS BY UTILITY
LAST TEN FISCAL YEARS

	FISCAL YEAR									
Electric	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of Power Plants	3	3	3	3	3	3	3	3	3	3
Vehicles	128	117	127	125	128	115	114	108	98	83
Transmission Miles	329	328	336	336	328	328	328	320	308	308
Distribution Miles	3,815	3,592	3,555	3,518	3,484	3,408	3,408	3,361	3,239	3,236
Poles	113,039	112,690	112,664	112,528	112,298	112,001	111,706	111,158	110,369	110,041
Transformers	34,792	34,843	36,448	36,413	36,348	36,186	36,097	35,078	34,558	34,408
Substations	14	17	15	15	15	15	15	15	15	15
Meters	55,992	59,939	57,525	56,538	55,853	54,978	59,752	59,035	57,992	55,367
Water										
Vehicles	92	98	86	83	76	74	81	73	69	59
Water Treatment Plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	2,866	2,863	2,843	2,842	2,840	2,834	2,827	2,823	2,812	2,776
Meters	74,031	72,737	69,542	60,040	60,235	49,944	49,217	48,483	46,946	45,690
Fire Hydrants	4,394	4,363	36,195	36,159	37,695	37,664	37,524	37,475	37,360	37,069
Wastewater										
Vehicles	91	84	80	75	76	61	54	53	49	43
Wastewater Treatment Plants	2	2	2	2	2	2	2	2	2	2
Lift Stations	174	183	172	158	158	168	168	163	163	163
Miles of wastewater mains	852	825	830	827	802	799	797	793	787	741
General										
Vehicles	68	66	70	66	67	62	58	47	45	44

Source:
GP Microsoft Dynamics System

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Single Audit Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Public Utilities Board of the City of Brownsville, Texas, a component unit of the City of Brownsville, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Public Utilities Board of the City of Brownsville, Texas's basic financial statements and have issued our report thereon dated March 10, 2017.

Internal Control over Financial Reporting

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

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

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

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
March 10, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major State Program

We have audited the Public Utilities Board of the City of Brownsville, Texas's compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Public Utilities Board of the City of Brownsville, Texas's major state programs for the year ended September 30, 2016. The Public Utilities Board of the City of Brownsville, Texas's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Public Utilities Board of the City of Brownsville, Texas's major state programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of the *State of Texas Single Audit Circular*. These standards, the *State of Texas Single Audit Circular,* 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 state program occurred. An audit includes examining, on a test basis, evidence about the Public Utilities Board of the City of Brownsville, Texas'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 on compliance for each major state program. However, our audit does not provide a legal determination of the Public Utilities Board of the City of Brownsville, Texas's compliance.

Opinion on Each Major State Program

In our opinion, the Public Utilities Board of the City of Brownsville, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Public Utilities Board of the City of Brownsville, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Public Utilities Board of the City of Brownsville, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Texas Single Audit Circular*, 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 the Public Utilities Board of the City of Brownsville, Texas'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 state 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 state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
March 10, 2017

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, 2016

A. SUMMARY OF AUDITORS' RESULTS

Type of report on financial statements	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of report on compliance with major programs	Unmodified
Findings disclosed that are required to be reported in accordance with the State of Texas *Single Audit Circular*	None
Dollar threshold considered between Type A and Type B state programs	$750,000
Low risk auditee statement	Yes
Major state program	TWDB – FM 511 & 802 project and Villanueva Colonia Contract #G120010 and G120009

B. FINANCIAL STATEMENT FINDINGS

None

C. FINDINGS AND QUESTIONED COSTS FOR STATE 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, 2016

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, 2016

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 State Awards
For The Fiscal Year Ended September 30, 2016

State Grantor/Pass-Through Grantor and Program Title	CFDA Number	Other Identifying Number	Expenditures
STATE FINANCIAL ASSISTANCE			
Texas Water Development Board Economically Distressed Area Program *FM 511 & 802 Project*	N/A	G120010	$ 7,405,618
Texas Water Development Board Economically Distressed Area Program *Villanueva Colonia*	N/A	G120009	328,386
	Total Expenditures of State Awards		$ 7,734,004

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 State Awards
For The Fiscal Year Ended September 30, 2016

(1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State awards includes the state grant activity of the Public Utilities Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Texas *Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) SIGNIFICANT ACCOUNTING POLICIES

Revenue from state awards is recognized when everything necessary has been done to establish the right to revenue. Expenses of state awards are recognized in the accounting period when the liability is incurred and approved for reimbursement.

The Public Utilities Board did not elect to use the 10% de minimis indirect cost rate.

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BROWNSVILLE
PUBLIC UTILITIES BOARD

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