# COMPREHENSIVE ANNUAL FINANCIAL REPORT



for the years ended September 30, 2018 and 2017

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# **Red River Authority of Texas**

### **Comprehensive Annual Financial Report**

For the Fiscal Years Ended September 30, 2018 and 2017

Prepared By:

Fiscal Administration, Executive Administration and General Services Branches

Lana R. Hefton, Controller

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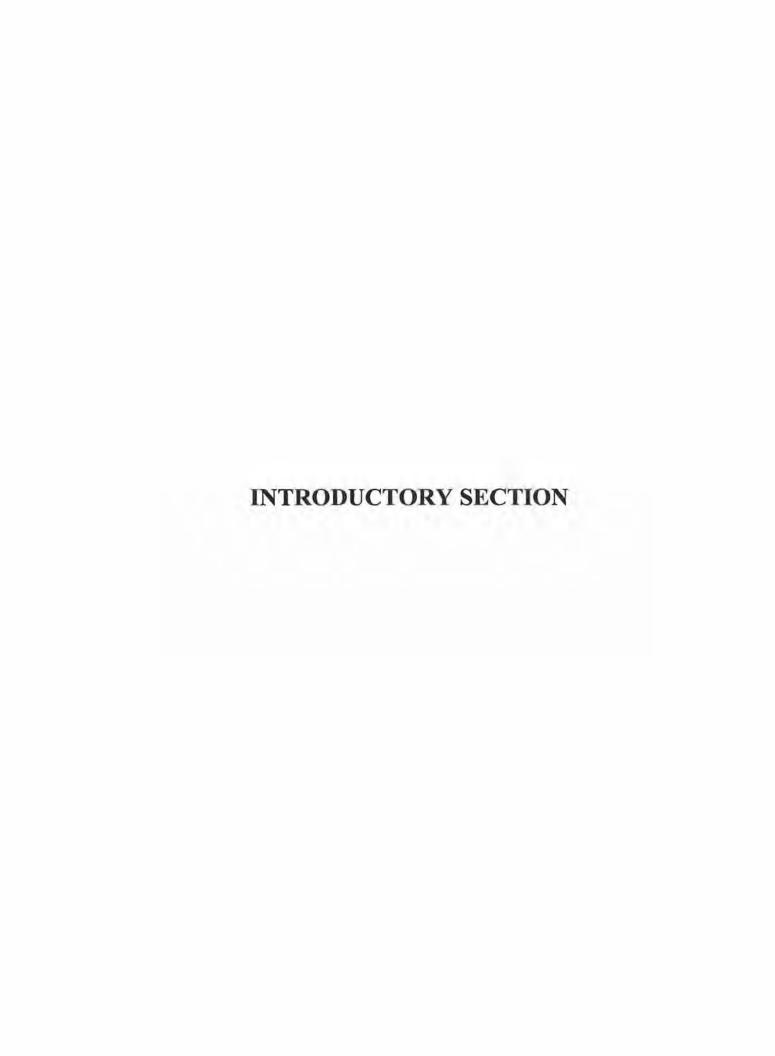
#### COMPREHENSIVE ANNUAL FINANCIAL REPORT for the years ended September 30, 2018 and 2017

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#### ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS	§			
COUNTY OF WICHITA	§			
ī, <b>J</b>	erry Bob Dani	el, Presiden orized District Repres	it sentative)	
of the	Red River A	uthority of	Texas	
hereby swear, or affirm, the District's Board of Director for the fiscal period ended report have been filed in the Falls, Texas 76310.	s on the <u>16th</u> September	day of <u>Janu</u> 30, 2018	ary , 2019 and that co	its annual audit report opies of the annual audit
This filing affidavit and the Commission on Environme Code Section 49.194.	ntal Quality to sat			
Date: January 16,	2019_		(Signature of Distri	ct Representative)
			Daniel, Prome & Title of above	esident District Representative)
Sworn to and subscribed to	before me this 16	6 <sup>th</sup> day of _	January	<u>,2019</u> .
(Seal)	-		(Signature of	Notary)
My Commission Expires on: Notary Public in and for the St				
Form TCEQ-0723 (Revised 10	0/2003)			

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# BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS for the year ended September 30, 2018

Complete District Mailing Address:

P. O. Box 240

Wichita Falls, Texas 76307

Authority Business Telephone Number:

(940) 723-8697

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2018	Title at Year End	Resident of District
Board Members: Jerry Bob Daniel 4911 FM 1756 West Truscott, Texas 79227	08-11-09 - 08-11-21	\$836	President	Yes
Todd W. Boykin 701 S Taylor, Suite 440 Amarillo, Texas 79101	10-20-16 -08-11-21	2,014	Vice President	Yes
Penny C. Carpenter 1899 CR 12 Silverton, Texas 79257	07-28-08 - 08-11-19	1,054	Secretary Treasurer	Yes
Stephen A. Thornhill 2470 West Crawford Denison, Texas 75020	09-05-14 - 08-11-19	1,058	Assistant Secretary	Yes
G. Wilson Scaling, II 450 Rhat Road Henrietta, Texas 76365	08-11-09 - 08-11-21	553	Director	Yes
W. Wade Porter 410 S. Taylor Amarillo, Texas 79101	07-26-18 - 08-11-23	356	Director	Yes
Michael R. Sandefur 3402 Texas Boulevard Texarkana, Texas 75503	07-26-18 - 08-11-23	370	Director	Yes
Joe L. Ward 1626 CR 2315 Telephone, Texas 75488	07-26-18 - 08-11-23	272	Director	Yes
Nathan J. (Jim) Bell, IV 2221 Lamar Avenue Paris, Texas 75461	10-16-00 - 08-11-17	\$1,338	Director	Yes
C. Cole Camp 4402 Charlene Avenue Amarillo, Texas 76106	07-28-08 - 08-11-19	1,234	Director	Yes
B. Mayfield McCraw P. O. Box 9 Telephone, Texas 75488	09-22-09 - 08-11-17	478	Director	Yes

#### BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS for the year ended September 30, 2018

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2018	Title at Year End
Key Administrative Personne	lı		
Curtis W. Campbell 903 East Wichita Street Henrietta, Texas 76365	08-16-1981 - 02-28-18	\$ 0	General Manager
Randall W. Whiteman 3308 Cumberland Avenue Wichita Falls, Texas 76309	03-01-2018	0	General Manager
Engineering Consultants:			
Kerry D. Maroney, P.E. Biggs and Mathews, Inc. 2500 Brook Avenue Wichita Falls, Texas 76301		213,281	Consultant
Simone Kiel, P.E. Freese and Nichols, Inc. 4055 International Plaza, Ste 200 Fort Worth, Texas 76109		Ō	Consultant
HDR Engineering, Inc. 4401 W. Gate Blvd, Suite 400 Austin, Texas 78745		0	Consultant
Peggy Glass, Ph.D. Alan Plummer Associates, Inc. 6300 La Calma, Suite 400 Austin, Texas 78752-3825		0	Consultant
Legal Consultants:			
Todd Davenport Sherrill and Gibson, PLLC 3711 Maplewood Avenue Suite 200 Wichita Falls, Texas 76308		20,061	General Counsel

#### BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS for the year ended September 30, 2018

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2018	Title at Year End
Legal Consultants, Continued			
Doug Caroom Bickerstaff, Heath, Delgado, Acosta, LLP 3711 S Mo-Pac Expressway Building One, Suite 300 Austin, Texas 78746		\$ 22,736	Special Counsel
Leroy Grawunder McCall, Parkhurst and Horton 717 N Harwood, Suite 900 Dallas, Texas 75201		0	Bond Counsel
Financial Consultants:			
David Medanich Hilltop Securities 777 Main Street, Suite 1200 Fort Worth, Texas 76102		0	Financial Advisor
Advisory Consultants:			
Curtis W. Campbell 903 East Wichita Street Henrietta, Texas 76365		4,100	Consultant

#### Depositories:

American National Bank P. O. Box 4476 Wichita Falls, Texas 76308

TexPool - Comptroller of Public Accounts P. O. Box 12608 Austin, Texas 78711





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# **Red River Authority of Texas**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2017

Executive Director/CEO

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## Red River Authority of Texas

JERRY BOB DANIEL, President, Truscott
TODD W. BOYKIN, Vice President, Amarillo
PENNY C. CARPENTER, Secretary-Treasurer, Silverton
STEPHEN A. THORNHILL, Assistant Secretary, Denison
WADE PORTER, Canyon
MICHAEL R. SANDEFUR, Texarkana
JOE L. WARD, Telephone
GEORGE WILSON SCALING, II, Henrietta

RANDALL W. WHITEMAN, General Manager FABIAN A. HEANEY, Assistant General Manager DANNA P. BALES, Executive Assistant LANA HEFTON, Controller

January 8, 2019

The Honorable President and Members of the Board of Directors Red River Authority of Texas

Board Members:

The Comprehensive Annual Financial Report of the Red River Authority of Texas for the fiscal year ended September 30, 2018 is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority.

We believe the data contained herein are accurate in all material respects; that it clearly discloses the financial position and results of operations of the Authority as measured by the financial activity of its various divisions; and that all information necessary to enable the reader to gain the maximum benefit and understanding of the Authority's fiscal year activities and related costs are presented on a fund basis in the enclosed financial statements.

The Comprehensive Annual Financial Report is presented in three major sections to aid the reader in obtaining a clear understanding of the Authority and its activities. These sections are titled Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, an organizational chart, and a description of the Authority's operating divisions' highlights of activities for the year. The Financial Section includes the independent auditor's report, the Management's Discussion and Analysis (which can be found on pages 4-10), the basic financial statements, notes to the financial statements, and supplementary information, such as combining schedules, budget comparison schedules and information required by the State of Texas. The Statistical Section includes selected historical financial information, operations summaries, and demographic information associated with the Authority's activities of primary interest.

#### REPORTING ENTITY

The Red River Authority of Texas was created in 1959 by Acts of the 56<sup>th</sup> Texas Legislature as a political subdivision of the State, a body politic and corporate under Article XVI, Section 59 of the Texas Constitution. The Authority's Enabling Legislation, Article 8280-228, Vernon's Annotated Texas Civil Statutes (VATCS), enumerates the powers and duties granted under the General and Special Laws of the State to fulfill its purpose. Additionally, the Authority functions under certain provisions of the Texas Water Code, Chapter 30. The Authority's mission is the orderly conservation, reclamation, protection, and development of the water resources throughout the Red River Basin for the benefit of the public.

P.O. Box 240 · Wichita Falls, Texas 76307-0240

3000 Hammon Road · Wichita Falls, Texas 76310-7500

Telephone: (940) 723-8697 E-Mail: info@rra.texas.gov

Fax: (940) 723-8531

#### REPORTING ENTITY, Continued

The Authority's territorial jurisdiction encompasses all of forty-three Texas counties lying within and adjacent to the watershed of the Red River and its tributaries upstream from the northeast corner of Bowie County. In 1981, the Legislature divided the Authority's territorial jurisdiction into three geographical regions based on population with gubernatorial appointment of three directors to serve from each region. Refer to the Red River Authority of Texas Jurisdictional Map for details.

The Red River Industrial Development Authority was authorized by the Board of Directors in July 1979 under the terms of the Texas Development Corporation Act of 1979. The Red River Industrial Development Authority is a separate entity of the Red River Authority of Texas and is authorized to act on behalf of the Authority for the specific purpose of promoting economic development of commercial, industrial, and manufacturing enterprises for public welfare within the geographical confines of the Red River Basin in Texas. Financial information concerning the Red River Industrial Development Authority can be found in the Notes to the Financial Statements and the combining schedules.

#### GOVERNING BODY

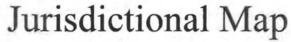
The Authority's governing body is composed of a nine-member Board of Directors, all of whom are appointed by the Governor, confirmed by the Senate, a legal voter, a property taxpayer, and resident in the Authority's jurisdictional area. Each Director serves a six-year staggered term. The Directors are organized by electing from their membership a President, Vice-President, Secretary-Treasurer, and Assistant Secretary. One Director is appointed from each of the three geographical regions to serve with the President on the Executive Committee. The Executive Committee functions as a policy, administrative and fiscal oversight committee for all agency related activities. The Board of Directors administers all affairs of the Authority through a Board-adopted Administrative Policy and a Board-appointed chief executive officer in the position of General Manager.

#### ADMINISTRATION

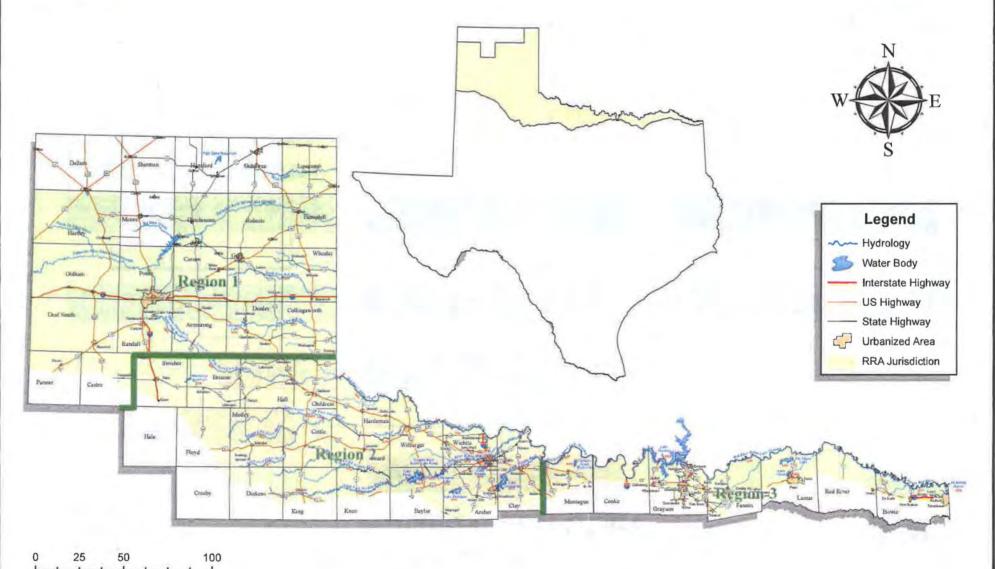
All fiscal and administrative functions are conducted from the general offices, located at 3000 Hammon Road, Wichita Falls, Texas. The General Manager is assisted by a professional staff of employees and consultants in the accomplishment of his duties, and is solely responsible to the Board of Directors for the proper implementation of all policies and the successful administration of the Authority. The Executive Administration is the upper-level management team that consists of three interactive branches of administration for the orderly conduct of all facets of the Authority's activities. The branches are the General Division Branch, Fiscal Services Branch, and General Operations Branch. Each branch is responsible for providing team leadership, administrative, and technical services to each division or department of the Authority. The Executive Staff administers Board Policy and carries out the Authority's mission under a Board-approved Strategic Management Plan. There were 30 full-time classified employees on the Authority's payroll on September 30, 2018. Refer to the Organizational Chart for details.



# Red River Authority of Texas



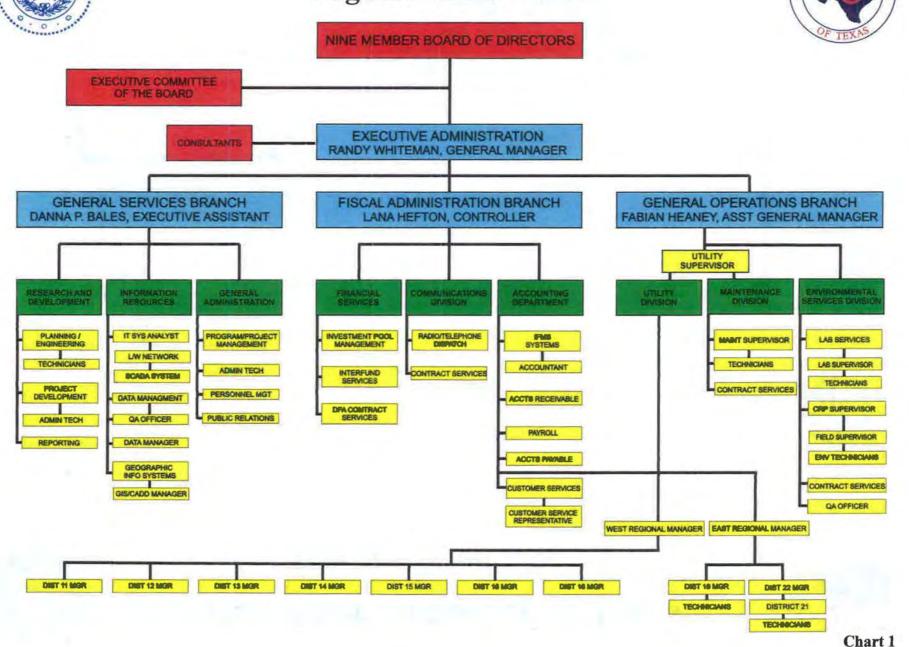






# Red River Authority of Texas Organizational Chart





#### INTERNAL CONTROLS

The Board of Directors and the Executive Administration of the Authority have placed an emphasis on the accuracy of its accounting system through the implementation of stringent internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding the safeguard of assets against loss and unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets, as well as those entrusted with its care. The concept of reasonable assurance recognizes that the cost of control should not exceed the expected benefits to be derived, and the evaluation of cost and benefits requires estimates and judgments on the part of management. All internal control evaluations occur within the described framework. Therefore, management is of the opinion that the Authority's internal controls adequately safeguard the assets and provide reasonable assurance of proper recording of all financial transactions, thereby producing an effective management tool for the conduct of the Authority's business activities.

#### BUDGETARY CONTROLS

The Authority is not required under its Enabling Legislation to adopt an annual budget. However, as a prudent management tool, an annual budget for each division is prepared on a per fund basis and approved by the Authority's Board of Directors. These budgets do not constitute appropriations, but represent the projected revenues and expenditures as compared to actual of the previous year.

#### AWARDS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Red River Authority of Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the sixth consecutive year that the government 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 GFOA to determine its eligibility for another certificate.

#### AUDIT REQUIREMENTS

The Enabling Legislation (Article 8280-228, Section 9, VATCS) requires an annual audit of the Authority's records by a certified public accountant as selected by the Board of Directors within 135 days after the fiscal year ending. This requirement has been complied with and the Auditor's opinion is included in this report.

#### ACKNOWLEDGEMENTS

We would like to express our appreciation to the Board for their contributions to the successful operation of the Authority. We would also like to thank the staff members who contributed to the preparation of this report.

Respectfully submitted,

Lana R. Hefton Controller Randall W. Whiteman General Manager



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4110 KELL BLVD., SECOND FLOOR • P.O. Box 750 WICHITA FALLS, TEXAS 76307-0750 Ph. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA DAVID L. PARKMAN, CPA A. PAUL FLEMING, CPA

#### Independent Auditor's Report on Financial Statements

Board of Directors Red River Authority of Texas

Members of the Board of Directors:

We have audited the accompanying financial statements of Red River Authority of Texas (Authority) as of and for the years ended September 30, 2018 and 2017, and the related notes to the 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.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 Red River Authority of Texas as of September 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinion is not modified with respect to this matter.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Schedules of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, the Schedule of Employer Contributions – Texas County and District Retirement System, and the Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County and District Retirement System identified in the table of contents as required supplementary information 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 of the Authority. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in Exhibits C-1 through C-21 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

#### Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC
January 8, 2019



MANAGEM	IENT'S DISCUSS	SION AND ANALYS

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Red River Authority of Texas, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page vi of this report.

#### Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,770,748 (net position). Of this amount, \$10,296,219 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors;
- 2. The Authority's total net position increased by \$955,845;
- The Authority adopted GASB 75 which required a prior period adjustment of \$52,045 to recognize the actuarially determined OPEB liability at September 30, 2017;
- The Authority expended over \$2.8 million towards improvements to its water systems to address EPA violations which are capitalized as construction in progress at year end.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: government-wide financial statements and notes to the financial statements. This report also contains required supplementary information and other government-wide information, in addition to the basic financial statements themselves.

Authority-Wide Statements. The financial statement presentation is mandated by Government Accounting Standards Board Statement No. 34. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. However, all of the funds of the Authority can be put into one category – proprietary funds. As such, the Red River Authority of Texas is considered a special purpose government engaged only in business-type activities. No fund level information is presented as part of the Authority's basic financial statements.

Proprietary Funds. For internal reporting and control purposes, the Authority maintains two different types of proprietary funds. One is enterprise funds, which are used to report the same functions presented in the Authority-wide basic financial statements. The Authority uses enterprise funds to account for its distinct and separate business activities, the Utility Division, the Environmental Services Division, Direct Financing Arrangements and the Industrial Development Authority. The other proprietary funds are the internal service funds, which provide goods and services to the enterprise funds, as well as each other. There are five internal service funds employed by the Authority. They include the General Division, Interfund Loan Program, Maintenance Division, Communications Division, and Motor Pool.

Revenues are derived through charges to the funds which receive the services provided and from contract services provided to outside entities. For government-wide presentation, all interfund charges are eliminated. These internal fees are evaluated annually and adjusted as necessary to maintain equity in the charges for each type of service performed. The external fees are adjusted every one (1) to five (5) years, based on the results of various types of rate analyses conducted.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide statements. The notes to the basic financial statements can be found on pages 11-48 of this report.

#### **Authority-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$17,770,748 at the close of the most recent fiscal year.

	2018	2017	2016
Assets:			
Current assets	\$10,205,617	\$ 9,459,426	\$ 7,807,184
Restricted assets	12,811,444	15,183,827	127,130
Capital assets	10,156,198	7,624,658	8,088,864
Noncurrent assets	869,005	406,105	295,062
Total assets	34,042,264	32,674,016	16,318,240
Deferred outflows of resources	189,261	634,098	779,628
Liabilities:			
Current liabilities	951,612	684,730	291,616
Noncurrent liabilities	15,366,704	15,655,074	790,853
Total liabilities	16,318,316	16,339,804	1,082,469
Deferred inflows of resources	142,461	101,362	
Net position:			
Net investment in capital assets	7,314,700	6,572,305	7,453,330
Restricted net position	159,829	274,937	88,380
Unrestricted net position	10,296,219	10,019,706	8,473,689
Total net position	\$17,770,748	\$16,866,948	\$16,015,399

In fiscal year 2018, 41.2% of the Authority's net position reflect its investment in capital assets (e.g., land, building, machinery, equipment, and water rights), less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,296,219 (57.9%) may be used to meet the Authority's ongoing obligations to constituents and creditors. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position with an increase in net position of \$955,845. This increase represents a minimal positive increase in water sales and a conservative approach to managing expenses.

In fiscal year 2017, 37.9% of the Authority's net position reflected its investment in capital assets (e.g., land, building, machinery, equipment, and water rights), less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,019,706 (59.4%) may be used to meet the Authority's ongoing obligations to constituents and creditors. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position with an increase in net position of \$851,549. This increase represents a positive increase in the Utility, Environmental Service Division, Communications, Maintenance and General Divisions, off-set by a decrease in the Motor Vehicle Pool Division funds.

#### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2018	2017	2016
Operating revenues:	Total College	T. N. S. D. G.	3.5
Water and sewer sales	\$5,426,272	\$ 5,188,070	\$ 4,104,905
Charges for materials and services	589,486	634,741	597,030
Other	413,221	351,803	379,887
Total operating revenues	6,428,979	6,174,614	5,081,822
Operating expenses:	CT-18	2000	CO. W.C.
Water purchases	807,778	714,756	661,675
Personnel services	2,119,759	2,051,454	1,960,880
Administrative costs	160,376	157,838	155,203
Utilities, supplies, and maintenance	1,027,401	957,427	933,240
Insurance	61,172	61,470	53,398
Automobile and travel	219,284	170,987	178,101
Professional and directors fees	155,743	376,864	84,145
Research expense	27,810	78,710	23,710
Total operating expenses	4,579,323	4,569,506	4,050,352
Operating income before depreciation and amortization	1,849,656	1,605,108	1,031,470
Depreciation and amortization	(705,274)	(699,233)	(693,032)
Operating income	1,144,382	905,875	338,438
Nonoperating revenues (expenses):			
Interest income	316,142	97,697	25,385
Gain on disposal of assets	35,007	100	5,217
Interest expense	(539,686)	(152,123)	(12,373)
Total nonoperating revenues (expenses)	(188,537	(54,326)	18,229
Change in net position	955,845	851,549	356,667
Net position, beginning, as originally stated	16,866,948	16,015,399	15,658,732
Prior period adjustment (GASB 75)	(52,045)		- 4
Net position, beginning, as restated	16,814,903	16,015,399	15,658,732
Net position, ending	\$17,770,748	\$16,866,948	\$16,015,399

Some of the major variances from fiscal year 2017 to fiscal year 2018 include a \$238,202 increase in water and sewer sales. This increase is the result of 4.6% increases in sales between years due to carry over of the 2016 price increase, weather conditions, and other factors. The Authority also incurred \$93,022 more in water purchases. This increase was due primarily to an increase in water purchased from the various vendors and increased water losses. Professional fees decreased \$221,121 from 2017 due to bond issuance costs but interest expense increased \$387,563 due to the 2017 bond sale.

Some of the major variances from fiscal year 2016 to fiscal year 2017 include a \$1,083,165 increase in water sales. This increase is the result of the price increase implemented by the Authority to pay the debt service on the bond issue. The Authority also incurred \$53,081 more in water purchases. This increase was due primarily to an increase in the cost of water purchased

from the various vendors. In fiscal year 2016, the Authority incurred \$90,574 more in payroll services due to a GASB 68 pension expense adjustment of \$135,849 offset by a reduction in overall personnel services due to employee turnover. There was also a decrease in automobile and travel due to lower fuel and repair costs. The interest income increased \$72,312 due to interest earnings on bond proceeds and increasing interest rates during 2016 and 2017.

#### Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets funds as of September 30, 2018 amounts to \$10,156,198, (net of accumulated depreciation). This investment in capital assets includes land, water systems, water rights, transportation equipment and other equipment, as well as construction in progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 33%.

Major capital asset events during the current fiscal year included the following:

- Construction and engineering fees on Truscott-Gilliland water line project
- Engineering fees on EPA Nitrate Deduction Phase 1 at Guthrie-Dumont and Hinds-Wildcat systems
- Replacement of 5 work trucks
- · Purchase of new maintenance facility in Childress, Texas

#### CAPITAL ASSETS

(Net of Depreciation)

Asset	Value September 30, 2017	Additions / Completions	Deletions	Value September 30, 2018	Accumulated Depreciation	Net Value
Land and easements	\$ 359,441	\$ 100,000	\$ -	\$ 459,441	\$ -	\$ 459,441
Construction in progress	253,008	2,871,090	56,155	3,067,943		3,067,943
Building	973,354	55,014		1,028,368	396,858	631,510
Water storage rights	1,222,700	9	- 6	1,222,700	264,630	958,070
Water systems	17,312,147	28,140	417,591	16,922,696	12,255,693	4,667,003
Machinery and equipment	1,025,588	33,557	7,970	1,051,175	934,450	116,725
Furniture and fixtures	391,442	7,695	88,960	310,177	293,305	16,872
Motor vehicles	626,177	198,437	182,270	642,344	403,710	238,634
Totals	\$ 22,163,857	\$ 3,293,933	\$ 752,946	\$ 24,704,844	\$ 14,548,646	\$ 10,156,198

Additional information on the Authority's capital assets can be found in Note 3 on pages 24-25 of this report.

Long-Term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$15,266,601. All of the debt is backed by the full faith and credit of the Authority and is secured solely by specified revenue sources (i.e., revenue bonds).

Bonds payable and transactions for the year ended September 30, 2018 are summarized as follows:

Water R	Average Interest Rates evenue Bonds	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding September 30, 2017	Additions Issuances (Sales) (Retirements)	Bonds Outstanding September 30, 2018
Series 2010	1.93%	08/15/2030	\$26,600 to \$53,600	\$ 849,200	\$ 596,566	\$ 39,965	\$ 556,601
Series 2017	3.57%	04/01/2047	\$300,000 to \$800,000	\$15,130,000	\$15,130,000	\$ 420,000	\$ 14,710,000

The Authority's bonded debt decreased by \$459,964 (2.9%) during the current fiscal year as a result of scheduled payments.

In fiscal year 2010, the Authority entered into a contract with the Greater Texoma Utility Authority (GTUA) to be a part of a bond issue to acquire an additional 2,000 acre-feet of water storage in Lake Texoma. The Authority will pay \$849,200 plus interest and maintenance fees to GTUA over the next 20 years for the 2,000 acre-feet.

In fiscal year 2017, the Authority issued \$15,130,000 in new revenue bonds. Approximately eight million dollars of the bond proceeds will fund the remediation of the Environmental Protection Agency's (EPA) Administrative Enforcement Orders for being in violation of the United States EPA's Safe Drinking Water Act (SDWA) regulations, for exceeding the maximum contaminate level for nitrates. The remainder of the proceeds will be funding improvements to the Authority's infrastructure. The bond issue' was insured by National Public Finance Corporation which at the time of issuance had a AA- rating by Standard & Poors. The purchase of bond insurance alleviated the Authority from having to maintain a bond reserve account.

Additional information on the Authority's long-term debt can be found in **Note 4** on **pages 25-27** of this report.

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

### Economic Factors and Next Year's Budgets and Rates

- Capital expenditures in the Utility Division several systems within the utility division are proposed to receive capital expenditures for component repair and/or replacements of certain facilities during the ensuing fiscal year which are financed through the \$15,000,000 bond issued in 2017. Major projects are as follows:
  - Hinds-Wildcat new water source (completion in 2021) for \$2,100,000
  - Guthrie-Dumont new water source (completion 2021) for \$3,250,000
  - Preston Shores Water Plant UV system (completion 2020) for \$1,250,000
  - Lake Arrowhead new water source (completion 2020) for \$2,000,000
- Increased effort to reduce water purchases
- Three year review of water rates versus expenses
- Inflationary trends in the region compare favorably to national indices
- Motor Pool vehicle rotation purchases

All of these factors were considered in preparing the Authority's budget for the 2019 fiscal year. The proposed budget for 2018-19 reflects an increase in projected revenue of \$450,627. Expenditures are projected to increase \$544,324. As a result, the Authority has projected an increase of \$399,191 in net position for the 2019 fiscal year budget.

### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Red River Authority of Texas, P. O. Box 240, Wichita Falls, Texas, 76307-0240 or info@rra.texas.gov.





# RED RIVER AUTHORITY OF TEXAS STATEMENTS OF NET POSITION

September 30, 2018 and 2017

1.55450	2018	2017
ASSETS		
Current assets:	w nace XVC	P 0.200.770
Cash and short-term investments	\$ 8,955,616	\$ 8,309,730
Receivables:		V 444 744
Trade and contracts	1,140,277	1,039,627
Prepaid expenses	53,659	51,978
Inventory	56,065	58,091
Restricted assets:		
Cash and short-term investments	12,811,444	15,183,827
Total current assets	23,017,061	24,643,253
Long-term assets:		
Net pension assets	869,005	406,105
Capital assets not being depreciated	3,527,384	612,448
Capital assets being depreciated (net)	6,628,814	7,012,210
Total long-term assets	11,025,203	
Total assets	34,042,264	32,674,016
Deferred outflows of resources:		
Pension related	185,490	634,098
OPEB related	3,771	
Total deferred outflows of resources	189,261	634,098
LIABILITIES		
Current liabilities:		
Accounts payable - trade	520,810	143,265
Interest payable	4,200	-
Accrued payroll and related taxes	36,739	35,621
Unearned revenue	48,896	46,044
Bonds payable, current maturities	340,967	
Total current liabilities	951,612	
Long-term liabilities:		
Bonds payable, less current maturities	14,925,634	15,266,767
Unamortized bond premium	187,762	195,926
Total OPEB liability	59,027	19
Deposits	194,281	192,381
Total long-term liabilities	15,366,704	
Total liabilities	16,318,316	
Deferred inflows of resources:	240.100	657.534
Pension related	142,461	101,362
Net position:		
Net investment in capital assets	7,314,700	6,572,305
Restricted:		
Debt service	159,829	274,937
Unrestricted	10,296,219	10,019,706

The accompanying notes are an integral part of this statement.

# STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

for the years ended September 30, 2018 and 2017

		2018		2017
Operating revenues:				
Water and sewer sales	\$	5,426,272	\$	5,188,070
Charges for materials and services		589,486		634,741
Other		413,221	_	351,803
Total operating revenues	-	6,428,979	_	6,174,614
Operating expenses:				
Water purchases		807,778		714,756
Personnel services		2,119,759		2,051,454
Administrative costs		160,376		157,838
Utilities, supplies, and maintenance		1,027,401		957,427
Insurance		61,172		61,470
Automobile and travel		219,284		170,987
Professional and directors fees		155,743		376,864
Research expense		27,810		78,710
Total operating expenses	-	4,579,323	_	4,569,506
Operating income before depreciation and amortization		1,849,656		1,605,108
Depreciation and amortization		(705,274)	There's and	(699,233)
Operating income		1,144,382	_	905,875
Nonoperating revenues (expenses):				
Interest income		316,142		97,697
Gain on disposal of assets		35,007		100
Interest expense		(539,686)		(152,123)
Total nonoperating revenues (expenses)		(188,537)		(54,326)
Change in net position		955,845		851,549
Net position, beginning, as originally stated		16,866,948		16,015,399
Prior period adjustment		(52,045)		
Net position, beginning, as restated		16,814,903		16,015,399
Net position, ending	\$	17,770,748	\$	16,866,948

The accompanying notes are an integral part of this statement.

# RED RIVER AUTHORITY OF TEXAS STATEMENTS OF CASH FLOWS

for the years ended September 30, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Cash received from customers and users	\$	6,333,081	\$	5,985,109
Cash payments to suppliers for goods and services		(2,080,556)		(2,580,401)
Cash payments to employees for services		(2,089,741)		(1,908,957)
Net cash provided by operating activities		2,162,784		1,495,751
Cash flows from capital and related financing activities:				
Issuance of revenue bonds				15,326,593
Principal paid on revenue bonds		(459,966)		(38,967)
Interest paid on revenue bonds		(543,650)		(152,790)
Acquisition of capital assets		(3,237,776)		(235,027)
Proceeds from sale of capital assets		35,969		100
Net cash provided by (used in) capital and related financing activities		(4,205,423)	_	14,899,909
Cash flows from investing activities:				
Interest received on investments		316,142		97,697
Net cash provided by investing activities	=	316,142		97,697
Net increase (decrease) in cash and cash equivalents		(1,726,497)		16,493,357
Cash and cash equivalents, beginning		23,493,557	_	7,000,200
Cash and cash equivalents, ending		21,767,060	\$	23,493,557
Displayed as:				
Current Assets:				
Cash and short-term investments	\$	8,955,616	\$	8,309,730
Restricted Assets:	- 7	24,454,04	100	190703122
Cash and short-term investments	_	12,811,444	_	15,183,827
	\$	21,767,060	\$	23,493,557

# RED RIVER AUTHORITY OF TEXAS STATEMENTS OF CASH FLOWS, Continued

for the years ended September 30, 2018 and 2017

Reconciliation of operating income to net cash	201	8	2017
provided (used) by operating activities:			
Operating income	\$ 1,1	44,382 \$	905,875
Adjustments to reconcile operating income to net			
cash provided (used) by operating activities:			
Depreciation and amortization	7	05,274	699,233
Change in assets and liabilities:			
(Increase) decrease in trade receivables	(1)	00,650)	(205,961)
(Increase) decrease in prepaid expenses		(1,681)	(17,496)
(Increase) decrease in inventory		2,026	7,875
(Increase) decrease in net pension assets	(4	62,900)	34,487
(Increase) decrease in deferred outflows	4	44,837	
Increase (decrease) in trade accounts payable	3	77,545	(52,728)
Increase (decrease) in accrued liabilities		1,118	6,648
Increase (decrease) in unearned revenues		2,852	18,361
Increase (decrease) in total OPEB liability		6,982	
Increase (decrease) in deposits		1,900	(1,905)
Increase (decrease) in deferred inflows	10	41,099	101,362
Total adjustments	1,0	18,402	589,876
Net cash provided (used) by operating activities	-	62,784 \$	1,495,751

The accompanying notes are an integral part of this statement.

# NOTES TO THE BASIC FINANCIAL STATEMENTS Years Ended September 30, 2018 and 2017

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of the Red River Authority of Texas' (the Authority) more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

# A. Reporting Entity

The Red River Authority of Texas was created in 1959 by Acts of the 56<sup>th</sup> Texas Legislature as a political subdivision of the State, a body politic and corporate under Article XVI, Section 59 of the Texas Constitution. The Authority's Enabling Legislation, Article 8280-228 of Vernon's Annotated Texas Civil Statutes (VATCS), enumerates the primary powers granted under the General and Special Laws of the State to fulfill its purpose as a water conservation and reclamation district. Additionally, the Authority functions under the applicable provisions of the Texas Water Code, Chapter 30. The Authority is governed by a Board of Directors who are appointed by the Governor of the State of Texas to serve a six-year staggered term.

The Authority is charged by state legislative mandate with three functions, which include maintenance of a Master Plan for basin wide development, serving as local sponsor for federal water projects, and providing services authorized by the Texas Legislature within the defined territory of the Authority, which encompasses all or part of forty-three Texas counties. The Authority also serves as a conduit for tax-exempt financing for municipal water and wastewater facilities and industrial pollution control facilities.

The Authority has two main and distinct business lines. The Utility Division provides water and sewer services to approximately 10,000 people in a 15 county area of the Red River Basin. The Environmental Services Division evaluates, monitors, and develops management strategies to improve the natural resources within the Red River Basin. The division also supports a full service National Environmental Laboratory Accreditation Program accredited water quality laboratory to provide analytical services.

As required by Governmental Accounting Standards Board (GASB) Statements No. 39 and 61, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the Authority's operations and data from these units are combined with data presented by the Authority. The Authority has one blended component unit, the Red River Industrial Development Authority. A discretely presented component unit is reported in a separate column in the financial statements. The Authority has no discretely presented component units.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Red River Industrial Development Authority was authorized by the Board of Directors in July 1979, under terms of the Texas Development Corporation Act of 1979. The Red River Industrial Development Authority is a separate entity from the Red River Authority of Texas. It is authorized to act on behalf of the Authority for the specific purpose of promotion and development of commercial, industrial, and manufacturing enterprises to encourage employment and public welfare within the geographical confines of the Red River Basin in Texas.

The Red River Industrial Development Authority was evaluated by management for inclusion in the reporting entity's basic financial statements using the GASB criteria. The Red River Industrial Development Authority is governed by the Board of the Red River Authority and the Board has control over the net position of the Red River Industrial Development Authority. Therefore, the Red River Industrial Development Authority has been included in the financial reporting entity as a blended component unit. The Red River Industrial Development Authority does not issue separate financial statements.

#### B. Basis of Presentation

The Authority's accounting system consists solely of nine proprietary funds, which are further divided into two major enterprise funds, two minor enterprise funds, and five internal service funds. For presentation purposes, all funds are presented as a single entity. Interfund activity is eliminated.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as prescribed by the GASB.

The Statement of Revenues, Expenses, and Changes in Net Position distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, intergovernmental grants, interest expense, and transactions that result from non-exchange transactions or ancillary services.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

### D. Budgetary Accounting

The Authority maintains control over operating expenses by the establishment of an annual operating budget. The Authority is not required under its enabling act to adopt a budget; therefore, statements of expenses compared to budget are not included within the basic financial statements.

#### E. Cash and Short-Term Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) which are readily convertible to cash, to be cash equivalents. Investments are stated at cost, which approximates market, and comprise short-term investments backed by agencies of the State of Texas or the United States Government.

#### F. Accounts Receivable

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.

### G. Inventory

Inventory consists of supplies and various materials used for the maintenance of capital assets. The "consumption" method is used to account for this inventory. Under this method, inventory acquisitions are recorded in inventory accounts initially and charged to expense when used. Inventories are stated at the lower of cost or market, using the first-in, first-out method.

#### H. Capital Assets and Depreciation

Capital assets are recorded at their historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life greater than one year.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation of purchased capital assets is charged as an expense against operations. Depreciation is recorded on the straight-line basis over the estimated useful life of the capital assets. The estimated useful lives are as follows:

Water and sewer systems 5-50 years Machinery and equipment 4-20 years Motor vehicles 4 years

Water rights, purchased from the United States Army Corps of Engineers (USACE), are amortized on a straight-line basis over the 50-year life of the contract between the Authority and the USACE.

#### I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority reports amounts in this category for certain items related to the Authority's participation in the Texas County and District Retirement System (TCDRS).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of financial resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports amounts in this category for certain items related to the Authority's participation in the TCDRS.

#### J. Direct Financing Arrangements

The Authority occasionally acts as an agent or intermediary for obtaining tax-exempt financing of water, sewage, or pollution control facilities for third parties. The Authority does not operate or maintain these facilities. The Authority receives issuance fees at the time of issuance and management fees on an annual basis for their assistance in handling the arrangements, which are reported as revenue. Arrangements of this type are accounted for in an enterprise fund as direct financing arrangements. The bonds are payable solely from and secured by a pledge of the revenues derived from the installment sale of the projects to the various entities that operate and maintain the facilities. The bonds are regarded as debts and responsibilities of the third parties on whose behalf they were issued, and the bonded debt, offsetting contract receivable, interest expense, and offsetting contract revenue are not included in the Authority's financial statements. Additional information concerning these conduit bonds is disclosed in **Note 5**.

## NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### K. Vacation and Sick Leave

The Authority does not recognize an accrual for non-vesting sick leave or personal days pursuant to GASB Statement 16, since the obligation for payment is contingent on an employee's future service.

An employee earns eight hours of vacation leave on the last day of each month and is entitled to use 96 hours (12 days) of vacation leave each calendar year. Any unused vacation leave up to a maximum of 96 hours is accrued as a liability of the Authority since payment will be made upon termination of the employee.

#### L. Restricted Assets

Contractually restricted cash, investments, and receivables are reported in a separate assets section of the statement of net position. Such amounts are physically segregated from other assets pursuant to certain restrictions of bond indentures and Board requirements.

#### M. Pensions

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## N. Other Post-Employment Benefits

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account. The OPEB plan consists of life insurance benefits for retirees.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### P. New Accounting Standard Adopted

In fiscal year 2018, the Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

# 2. DEPOSITS AND INVESTMENTS

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 2. DEPOSITS AND INVESTMENTS, Continued

### A. Cash Deposits

The Authority shall utilize as depositories only federal and state chartered banking institutions within the territorial jurisdiction of the Authority. At September 30, 2018 and 2017, the carrying amount of the Authority's deposits (cash, money markets, and interest-bearing savings accounts included in temporary investments) was \$4,657,842 and \$4,453,581, respectively and the bank balance was \$4,721,135 and \$4,542,683, respectively. The Authority's cash deposits at September 30, 2018 and 2017 were adequately covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name in accordance with Chapter 2257, Texas Government Code (Collateral for Public Funds Act).

#### B. Investments

The Authority is required by Government Code Chapter 2256 under the Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity or portfolio investments, (7) investment staff quality and capabilities, and (8) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Authority adhered to the requirements of the Act. Additionally, investment practices of the Authority were in accordance with local policies.

The Act determines the types of investments which are allowable for the Authority. These include with certain restrictions: (1) United States treasuries and securities guaranteed by the United States Government, (2) obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, (3) fully insured or collateralized certificates of deposits, (4) repurchase agreements and reverse repurchase agreements, (5) no-load SEC regulated money market funds, and (6) Texas local governmental investment liquidity pools. Items 1 through 4 are limited to 50% of the Authority's average monthly cash balance. Items 5 and 6 are limited to 80% of the Authority's average monthly cash balance with a dollar weighted average portfolio maturity of 90 days or less. With limited exception, investment purchases shall have remaining maturities at time of purchase less than or equal to three years.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 2. DEPOSITS AND INVESTMENTS, Continued

The Authority's investments at September 30, 2018 and 2017 are shown below:

	2	2018	2017		
Investment or Investment Type	Weighted Maturity (Months)	Fair Value	Weighted Maturity (Months)	Fair Value	
TexPool	1.0	\$ 17,109,217	1.0	\$ 19,039,976	
Bank Money Markets	1.0	4,473,985	1.0	4,280,282	
		\$ 21,583,202		\$ 23,320,258	

The Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability. The Authority values its TexPool balances at net asset value per unit/share. Money market accounts are valued using Level 2 inputs.

# C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination of whether the Authority was exposed to the following specific deposit and investment risks and, if so, the reporting of certain related disclosures:

<u>Credit Risk</u> – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Authority was not significantly exposed to credit risk.

<u>Custodial Credit Risk</u> – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

## NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### DEPOSITS AND INVESTMENTS, Continued

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

At year end, the Authority was not exposed to custodial credit risk.

<u>Concentration of Credit Risk</u> – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Authority was not exposed to significant concentration of credit risk.

<u>Interest Rate Risk</u> – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to interest rate risk.

<u>Foreign Currency Risk</u> – This is the risk that exchange rates will adversely affect the fair value of an instrument. At year end, the Authority was not exposed to foreign currency risk.

## D. Investment Accounting Policy

The Authority's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists, which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

#### E. Public Funds Investment Pools

The TexPool investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### DEPOSITS AND INVESTMENTS, Continued

to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the fair value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

## 3. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2018 and 2017 was as follows:

### At September 30, 2018

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Capital assets not being depreciated:		V 2017.04		
Land and easements	\$ 359,441	\$ 100,000	S -	\$ 459,441
Construction in progress	253,008	2,871,090	56,155	3,067,943
Total capital assets not being				
depreciated	612,449	2,971,090	56,155	3,527,384
Capital assets being depreciated:				
Water storage rights	1,222,700	-	6	1,222,700
Water systems	17,312,147	28,140	417,591	16,922,696
Machinery and equipment	1,025,588	33,557	7,970	1,051,175
Building	973,354	55,014		1,028,368
Furniture and fixtures	391,442	7,695	88,960	310,177
Motor vehicles	626,177	198,437	182,270	642,344
Total capital assets being depreciated	21,551,408	322,843	696,791	21,177,460
Less accumulated depreciation for:				
Water storage rights	257,159	7,471	2.2	264,630
Water systems	12,181,677	480,235	406,219	12,255,693
Machinery and equipment	899,898	42,521	7,969	934,450
Building	359,513	37,345		396,858
Furniture and fixtures	365,716	16,618	89,029	293,305
Motor vehicles	475,236	105,679	177,205	403,710
Total accumulated depreciation	14,539,199	689,869	680,422	14,548,646
Total capital assets being depreciated, net	7.012,209	(_367,026)	16,369	6,628,814
Total capital assets, net	\$ 7,624,658	\$2,604,064	\$ 72,524	\$10,156.198

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

# 3. CAPITAL ASSETS, Continued

# At September 30, 2017

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated:				
Land and easements	\$ 359,440	S -	S -	\$ 359,440
Construction in progress	81,603	198,315	26,910	253,008
Total capital assets not being				
depreciated	441,043	198,315	26,910	612,448
Capital assets being depreciated:				
Water storage rights	1,222,700	-		1,222,700
Water systems	17,285,237	26,910		17,312,147
Machinery and equipment	1,025,589			1,025,589
Building	973,354		-	973,354
Furniture and fixtures	389,309	3,404	1,270	391,443
Motor vehicles	592,869	33,307	-	626,176
Total capital assets being depreciated	21,489,058	63,621	1,270	21,551,409
Less accumulated depreciation for:				
Water storage rights	249,688	7,470	12	257,158
Water systems	11,682,007	499,669	0.00	12,181,676
Machinery and equipment	851,684	48,217		899,901
Building	325,252	34,261		359,513
Furniture and fixtures	348,189	18,797	1,270	365,716
Motor vehicles	384,417	90,818	-	475,235
Total accumulated depreciation Total capital assets being	13,841,237	699,232	1,270	14,539,199
depreciated, net	7,647,821	(635,611)	10	7,012,210
Total capital assets, net	\$ 8,088,864	\$(437,296)	\$ 26,910	\$ 7,624,658

# 4. LONG-TERM DEBT

Bonds payable and transactions for the years ended September 30, 2018 and 2017 are summarized as follows:

# At September 30, 2018

	Balance 10/1/17	Issued	Retired	9/30/18	One Year
Water revenue bonds Premium on bonds	\$15,726,565 195,926	\$ -	\$459,964 <u>8,164</u>	\$15,266,601 187,762	\$340,967
Totals	\$15,922,491	<u>s</u> -	\$468,128	\$15,454,363	\$340,967

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### LONG-TERM DEBT, Continued

### At September 30, 2017

	Balance 10/1/16	Issued	Retired	Balance 9/30/17	Due Within One Year
Water revenue bonds Premium on bonds	\$635,533	\$15,130,000 195,926	\$38,967	\$15,726,565 195,926	\$459,800
Totals	\$635,533	\$15,325,926	\$38,967	\$15,922,491	\$459,800

#### Water Revenue Bonds

Water revenue bonds are comprised of the following individual issues as of September 30, 2018:

	Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Outstanding at 9/30/18	Outstanding at 9/30/17
Series 2010	1.93%	08-15-30	\$26,600 to \$53,600	\$ 849,200	\$ 556,601	\$ 596,566
Series 2017	3.57%	04-01-47	\$300,000 to \$800,000	\$15,130,000	\$14,710,000	\$15,130,000

In August 2010, the Authority entered into a contract with Greater Texoma Utility Authority (GTUA) to purchase an additional two thousand (2,000) acre-feet of water in Lake Texoma. This was part of a total of 50,000 acre-feet of water storage purchased by GTUA, which was financed by issuing \$22,000,000 in contract revenue bonds to the Texas Water Development Board. The Authority's portion of the bonds was \$849,200 with the annual principal payments due August 15 of each year for a term of 20 years. The interest rate varies from a rate of 0.075% to 2.480% over the life of the bonds. GTUA bills the Authority monthly for 1/12th of the annual principal and interest payments.

In June 2017, the Authority issued Utility System Revenue Bonds in the amount of fifteen million one hundred thirty thousand dollars (\$15,130,000). This issue is to be used as a means of financing the required corrections of the EPA violations and needed infrastructure repairs. The bond interest payments are due October 1 with principal and interest payments due April 1 for a term of 30 years. The interest rate varies from a rate of 2.00% to 5.00% over the life of the bonds.

The net premium amount on issuance associated with the new issuance of \$15,130,000 of Water System Revenue Bonds is being amortized over the life of the new issue using the effective interest method and is reported as a separate line item on the face of the financial statements.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

# 4. LONG-TERM DEBT, Continued

The annual requirements to pay principal and interest on the long-term obligations outstanding as of September 30, 2018 are as follows:

Year Ending	Bond			
September 30,	P	rincipal	Interest	
2019	\$	340,967	\$ 539,272	
2020		346,800	532,788	
2021		358,000	523,034	
2022		369,000	512,858	
2023		380,000	502,302	
2024 - 2028		2,148,000	2,265,680	
2029 - 2033		2,393,834	1,849,533	
2034 - 2038		2,695,000	1,444,074	
2039 - 2043		3,210,000	929,106	
2044 - 2047		3,025,000	288,938	
Totals	\$1	5,266,601	\$9,387,585	

The net revenue of the Authority is pledged as collateral for the revenue bonds outstanding. \$159,829 is available in the interest and sinking fund at September 30, 2018 to service the bonds.

Bond reserve provisions as specified in the bond ordinances do not require bond reserve deposits due to the bond insurance purchased by the Authority at the time of issue. The Authority is in compliance with all significant provisions contained in the bond ordinances.

## DIRECT FINANCING ARRANGEMENT DEBT

The bonds issued under direct financing arrangements represent, in substance, obligations of those entities on whose behalf they were issued and are not reflected on the Authority's financial statements. The following is a summary of changes in the direct financing arrangement obligations for the year ended September 30, 2018:

	Debt Outstanding October 1, 2017	New Obligations Issued	Obligations Retired or Refunded	Debt Outstanding September 30, 2018
Bonds issued under direct financing arrangements	\$63,300,000	\$ -	\$ -	\$63,300,000

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## DIRECT FINANCING ARRANGEMENT DEBT, continued

Direct financing bonds payable at September 30, 2018, comprise the following individual issuances:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Debt Outstanding September 30, 2018
Pollution Control Revenue Bond	ls –				
AEP Texas North Company, Public Service Company of Oklahoma and AEP Texas Central Company-Series 2007	4,45%	06-01-20	\$63,300,000*	\$63,300,000	\$63,300,000
Total direct financing bonds				\$63,300,000	\$63,300,000

<sup>\*</sup> Term payment at maturity

In January 2010, the Authority was notified by the Internal Revenue Service (IRS) that it had selected the \$50,000,000 Red River Authority of Texas Solid Waste Disposal Revenue Bonds (Panda Hereford Ethanol, L.P. Project) Series 2006, for a routine examination to determine compliance with federal tax requirements. The responsibility for submitting the information requested by the IRS would normally fall on the entity for which the bonds were issued. However, since Panda Hereford declared bankruptcy in April 2009, the IRS determined the responsibility for providing the requested information and completing the arbitrage calculation lay with the Authority. The Authority employed its bond counsel and financial consultant to prepare the arbitrage rebate report and respond to the IRS. The arbitrage rebate report reflected that there was no liability to the IRS related to this bond issue, therefore, since no liability exists, under the reporting rules there was no requirement to file documents with the IRS. As of September 30, 2018, the IRS has not responded to any of the information submitted.

#### 6. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued.

Three of the Authority's water systems (Truscott-Gilliland, Guthrie-Dumont, and the Hinds-Wildcat Water Systems) have been issued Administrative Enforcement Orders by the Environmental Protection Agency (EPA) for being in violation of the United States Environmental Protection Agency's (EPA) Safe Drinking Water Act (SDWA) regulations,

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### COMMITMENTS AND CONTINGENT LIABILITIES, continued

for exceeding the maximum contaminate level for nitrates. High nitrate levels are a common problem with water systems utilizing ground water not only in Texas, but across Currently, the Authority is complying with the EPA's noncompliance requirements of notifying the customers by letter on a quarterly basis, furnishing affected customers with bottled water reimbursement, and developing economically feasible compliance plans for each system affected. In April of 2016, the Authority was issued Administrative Complaints on these systems by the EPA with fines totaling \$55,000. In response, the Authority has developed major capital improvement plans for each system and has negotiated Consent Agreements for each system with the EPA, reducing the Administrative Fines paid to \$49,000. The Authority has developed capital improvement projects to bring the systems into compliance and issued bonds in 2017 for construction of the capital improvement projects and engineering and permitting for the projects has commenced. The first project for remediation of the nitrate was on the Truscott-Gilliland Water System to build a transmission line from Greenbelt Municipal and Industrial Water Authority to the Gilliland Pump Station to provide treated water for this system. The line was completed and placed in service in September 2018. Engineering and permitting is ongoing for the other two water systems under EPA Administrative Orders.

In 2004, the Authority was notified that two water systems were in violation of the SDWA's maximum contaminant level for total trihalomethanes (TTHMs); the Lake Arrowhead and Preston Shores Water Systems. The Authority has also been notified that the same two water systems are also in violation of the SDWA's maximum contaminant level for Haloacetic Acids (HAA5s). These violations were brought about by the EPA lowering the maximum contaminant level effective January 1, 2004 and are not associated with operational treatment techniques. In compliance with agreed enforcement orders between the TCEQ and the Authority, the Authority sends Notice of Violation letters to each customer on these systems quarterly and will continue to do so until released by the TCEQ. The Authority has developed capital improvement projects to bring the systems into compliance and issued bonds in 2017 for construction of the capital improvement projects. The Authority has submitted engineering plans to the TCEQ for an Ultra Violet Disinfection System for the Preston Shores Water System to alleviate the TTHM and HAA5 problems and is currently waiting on approval prior to soliciting bids for the project. Additionally, the Authority is currently negotiating with the City of Wichita Falls for a Treated Water Purchase Agreement to alleviate the TTHM and HAA5 issues at its Lake Arrowhead Water System. Engineering and easements for a water line between the City of Wichita Falls and Lake Arrowhead are currently being prepared.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

#### DEFINED BENEFIT PENSION PLAN

### Plan Description

The Authority provides retirement, disability, and death benefits for all of its full-time employees through an agent multiple-employer defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans in 2016. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

#### Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

# Membership Information

Members	December 31, 2016	December 31, 2017
Number of inactive employees entitled to		
but not yet receiving benefits	20	16
Number of active employees:	29	31
Average monthly salary *:	\$3,847	\$4,111
Average age *:	46.59	47.39
Average length of service in years *:	9.49	9.73
Inactive Employees (or their Beneficiaries) Re	ceiving Benefits	
Number of benefit recipients:	12	14
Average monthly benefit:	\$1,725	\$1,598

<sup>\*</sup> Averages reported for all active employees. Average service includes all proportionate service.

## NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 7. DEFINED BENEFIT PENSION PLAN, continued

## **Funding Policy**

The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members.

Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer's regular contribution rate was 7% for 2015, 2016 and 2017, which was in excess of the Authority's compliant rates of 3.32%, 3.46% and 3.07% for those respective years. The deposit rate payable by the employee members for the years 2015, 2016 and 2017 was the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### Contributions to the Plan in 2017 was as follows:

Members (Employees)	\$103,611
Employer (Authority)	_103,611
Total contributions	\$207,222

#### Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2016	December 31, 2017
Total Pension Liability	\$7,043,291	\$7,546,627
Fiduciary Net Position	7,449,396	8,415,633
Net Pension Liability (Asset)	(406,105)	(869,005)
Fiduciary Net Position as a % of Total	7.55	7,77
Pension Liability	105.77%	111.52%
Pensionable Covered Payroll (1)	1,423,868	1,480,157
Net Pension Liability as a % of Covered Payroll	(28.52%)	(58.71%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables within this note.

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 7. DEFINED BENEFIT PENSION PLAN, continued

## Discount Rate

Discount rate (2)	8.10%	8.10%
Long-term expected rate of return, net of investment expense (2)	8.10%	8.10%
Municipal bond rate (3)	Does not apply	Does not apply

(2) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

## Actuarial Methods and Assumptions Used for GASB Calculations:

Valuation Timing Actuarially determined contribution rates are calculated on a calendar

year basis as of December 31, two years prior to the end of the fiscal

year in which the contributions are reported.

Actuarial Cost Method Entry Age Normal

Remaining Amortization Method Level percent of payroll, closed

Recognition of economic/demographic

gains or losses

Straight-line amortization over Expected Working Life

Recognition of assumptions changes

or inputs

Straight-line amortization over Expected Working Life

Asset Valuation Method:

Smoothing period 5 years

Recognition method Non-asymptotic

Corridor None

Inflation 2.75%

Salary Increases Varies by age and service, 4.9% average over career including inflation

Investment Rate of Return 8.1% (gross of administrative expenses)

> automatic under GASB 68. Therefore, no assumption for future costof-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the

funding valuation.

Retirement Age Members who are eligible for service retirement are assumed to

commence receiving benefits based on age. The average age for recent

employees is 61.

Mortality 130% of the RP-2014 Healthy Annuitant Mortality Table for males and

110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## DEFINED BENEFIT PENSION PLAN, continued

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2017 actuarial valuation analysis for Red River Authority:

**Economic Assumptions** 

TCDRS system-wide economic assumptions:

Real rate of return 5.25% Inflation 2.75% Long-term investment return 8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership 0.00% Payroll growth for funding calculations 2.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Demographic Assumptions

TCDRS system-wide demographic assumptions:

Replacement of Terminated Members – New employees are assumed to replace any terminated members and have similar entry ages.

**Disability** – The rates of disability used in this valuation range from 0.0% for 25 year old employee and increases to .018% at age 59 for work related causes and 0.00% to .27% for all other causes. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## DEFINED BENEFIT PENSION PLAN, continued

### Mortality -

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non- depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Family Composition** - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

**Service Retirement** - Members eligible for service retirement are assumed to retire at escalating rates starting at 4.5% for someone 40 years old to 22% for employees over the age of 67.

#### Employer-specific demographic assumptions:

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

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan range from 100% with zero years of experience to 12% for someone with 28 years of experience. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

## Long-Term Expected Rate of Return

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

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 7. DEFINED BENEFIT PENSION PLAN, continued

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities – Emerging Markets	MSCI World Ex USA (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

<sup>(1)</sup> Target asset allocation adopted at the April 2018 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006 - present of Quarter Pooled Horizon IRRs.

<sup>[4]</sup> Includes vintage years 2005 - present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007 - present of Quarter Pooled Horizon IRRs.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 7. DEFINED BENEFIT PENSION PLAN, continued

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

- The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the longterm rate of return, calculated using the long-term expected rate of return on pension plan investments.
- The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

## NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 7. DEFINED BENEFIT PENSION PLAN, continued

- TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## DEFINED BENEFIT PENSION PLAN, continued

Changes in Net Pension Liability / (Asset)

		Increase (Decrea	se)
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2016	\$7,043,291	\$7,449,396	(\$406,105)
Changes for the year:			
Service cost	170,704	-	170,704
Interest on total pension liability (1)	571,650	-	571,650
Effect of plan changes (2)	100	-	
Effect of economic/demographic gains or losses	55,906	1.4	55,906
Effect of assumption changes or inputs	24,458	4	24,458
Refund of contributions	( 61,410)	( 61,410)	
Benefit payments	( 257,970)	( 257,970)	2
Administrative expenses		( 5,597)	5,597
Member contributions	-	103,611	( 103,611)
Net investment income	1.9	1,085,548	(1,085,548)
Employer contributions	2	103,611	( 103,611)
Other (3)		(1,556)	1,556
Balances as of December 31, 2017	\$7,546,627	\$8,415,632	(\$869,005)

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

## Sensitivity Analysis

The following presents the net pension liability of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease <u>7.10%</u>	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$8,487,506	\$7,546,627	\$6,741,501
Fiduciary net position	8,415,633	8,415,633	8,415,633
Net pension liability / (asset)	\$ 71,873	(\$ 869,005)	(\$1,674,132)

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 7. DEFINED BENEFIT PENSION PLAN, continued

Pension Expense / (Income)

		y 1, 2017 to ber 31, 2017
Service cost	\$	170,704
Interest on total pension liability (1)		571,650
Effect of plan changes		
Administrative expenses		5,597
Member contributions	(	103,611)
Expected investment return net of investment expenses	(	598,663)
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains or losses	(	984)
Recognition of assumption changes or inputs		16,624
Recognition of investment gains or losses		69,414
Other (2)	-	1,556
Pension expense	\$	132,287

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

#### Deferred Outflows / Inflows of Resources

As of December 31, 2017, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,078	\$ 76,021
Changes of assumptions  Net difference between projected and actual earnings	43,032	66,440
Contributions made subsequent to measurement date	80,380	
Total	\$185,490	\$142,461

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$85,054
2019	56,389
2020	(97,491)
2021	(81,304)

For the year ended December 31, 2017, there were no changes to the Plan relative to assumptions and benefit terms.

<sup>(2)</sup> Relates to allocation of system-wide items.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

#### 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

### A. Plan Description

A description of the OPEB plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- The Authority participates in the retiree Group Term Life (GTL) program for the TCDRS which is a statewide, multiple-employer, public employee retirement system.
- 2. A brief description of benefit terms:
  - a) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.
  - b) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
  - c) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
  - d) No future increases are assumed in the \$5,000 benefit amount.
  - e) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.
- 3. Membership information is shown in the chart below.
- 4. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
- 5. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The Authority's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

## B. Membership Information

Members	12/31/16	12/31/17
Number of inactive employees entitled to but not yet receiving benefits (1)	5	3
Number of active employees	29	31
Average age of active employees	46.59	47.39
Average length of service in years for active employees	9.49	16.03
Inactive Employees Receiving Benefits (1)		42
Number of benefit recipients (1)	9	11

<sup>(1) &</sup>quot;Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

## C. Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method: Recognition of economic/ demographic gains or losses Recognition of assumptions changes or inputs	Straight-line amortization over expected working life Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

## 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

Investment Rate of Return

(Discount Rate)

3.44% (20-year Bond GO Index published

by bondbuyer.com as of 12/28/17)

Cost-of-Living Adjustment

Does not apply

Disability

The rates of disability range from .000% to .018% for work-related disability and .000% to .27% for all other causes depending on

age.

Mortality:

Depositing members

90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-

2014 Ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the

MP-2014 Ultimate scale after 2014.

Disabled retirees

130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Retirement

Members eligible for service retirement range from 4.5% to 22% for both male and

females depending on age.

Other Termination of

Employment

Annual rates for termination range from 0.0% to 23.4% for males and 0.0% to 25.3% for females depending on entry dates and

years of service.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

## D. Changes in Total OPEB Liability

	Changes in Total OPEB Liability	
Balances as of December 31, 2016	\$52,933	
Changes for the year:		
Service cost	1,350	
Interest on total OPEB liability (1)	2,035	
Changes of benefit terms (2)		
Effect of economic/demographic experience	749	
Effect of assumptions changes or inputs (3)	2,848	
Benefit payments	( 888)	
Other		
Balance as of December 31, 2017	\$59,027	

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

## Sensitivity Analysis

The following presents the total OPEB liability of the Authority, calculated using the discount rate of 3.44%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease <u>2.44%</u>	Current Discount Rate 3.44%	1% Increase <u>4.44%</u>
Total OPEB liability	\$70.889	\$59,027	\$49,730

<sup>(3)</sup> Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 – December 31, 2016 Investigation of Experience.

### NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

### E. 2017 Employer OPEB Contributions and Benefit Payments

The following shows a breakdown of the Authority's contributions to the GTL program for the calendar year 2017. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown below in item F. The contributions for active coverage are not considered an OPEB benefit under GASB 75, so these contributions are not reflected as part of the OPEB plan but are paid by the Authority.

	2017 GIL		
Coverage Type	Rate	Amount	Financial Reporting
Active Member GTL Benefit	0.22%	\$3,256	No change from prior year
Retiree GTL Benefit	0.06%	888	GASB 75

### F. OPEB Expense

		ry 1, 2017 to ober 31, 2017
Service cost	\$	1,350
Interest on total pension liability (1)		2,035
Effect of plan changes		
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains or losses		107
Recognition of assumption changes or inputs		407
Other (2)	-	
OPEB expense		\$3.899

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

#### G. Deferred Outflows / Inflows of Resources

As of December 31, 2017, the deferred outflows and inflows of resources are as follows:

### NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and		
actual experience	\$ 642	\$ -
Changes of assumptions	2,441	-
Contributions made subsequent to		
measurement date	688	-
Total	\$3,771	<u>s - </u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Ye	ear Ended December 31:	
	2018	\$514
	2019	514
	2020	514
	2021	514
	2022	514
	Thereafter	514

#### PUBLIC ENTITY RISK POOL

The Authority is exposed to various risks of loss related to injuries to employees, theft of, damage to, and destruction of assets, natural disasters, and errors and omissions. The Authority participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP), a risk pool for political subdivisions in Texas. The Authority pays annual premiums to the Risk Pool for worker's compensation, property, and liability coverage. The Risk Pool provides that they will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$5 million for workers' compensation, \$7 million for property, and ranging from \$1 million to \$5 million for liability, based on limits purchased by the member. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years. The Authority continues to carry insurance for employee health coverage through the Texas Municipal League MultiState Intergovernmental Employee Benefits Pool.

A publicly available financial report from TMLIRP that includes financial statements and required supplementary financial information can be obtained from Texas Municipal League Intergovernmental Risk Pool, P. O. Box 149194, Austin, Texas 78714-9194.

# NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Significant financial data for identifiable activities included as part of the government-wide presentation are as follows at September 30, 2018:

	Utility Division	Environmental Services Division	Other Enterprise Funds
Condensed Statement of Net Position			
Assets:			
Current assets	\$ 1,736,797	\$160,028	\$ 4,375
Restricted assets	12,772,694	-	38,750
Capital assets	8,864,814	75,493	
Total assets	23,374,305	235,521	43,125
Liabilities:			
Current liabilities	872,593	110,832	875
Noncurrent liabilities	15,683,654		1.2
Total liabilities	16,556,247	110,832	875
Net position:			
Net investment in capital assets	5,559,794	75,493	-
Restricted net position	159,829		4
Unrestricted net position	1,098,435	49,196	42,250
Total net position	\$ 6,818,058	\$124,689	\$42,250
Condensed Statement of Revenue, Expenses, and Changes in Net Position			
Operating revenues	\$ 5,546,077	\$827,827	\$ 3,500
Operating expense	4,512,432	919,296	165
Operating income (loss)	1,033,645	( 91,469)	3,335
Nonoperating revenues (expenses)	( 317,756)	108	165
Change in net position	715,889	( 91,361)	3,500
Beginning net position	6,102,169	216,050	38,750
Ending net position	\$ 6,818,058	\$124,689	\$42,250

### NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS, Continued

	Utility Division	Environmental Services Division	Other Enterprise Funds
Condensed Statement of Cash Flows			
Operating activities	\$ 1,771,654	(\$ 13,605)	S -
Capital and related financing activities	( 3,958,537)	( 13,719)	120
Investing activities	261,416	108	1.2
Net increase (decrease)	( 1,925,467)	( 27,216)	14
Beginning cash and cash equivalents	15,475,079	( 14,458)	
Ending cash and cash equivalents	\$13,549,612	(\$ 41,674)	\$ -

#### 11. NEW PRONOUNCEMENTS

GASB has various new pronouncements that will become effective during the following two years including:

Statement No. 83 – Certain Asset Retirement Obligation, is effective for reporting periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Statement No. 87 – Leases, is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

These pronouncements are not expected to have any significant impact on the Authority when effective.

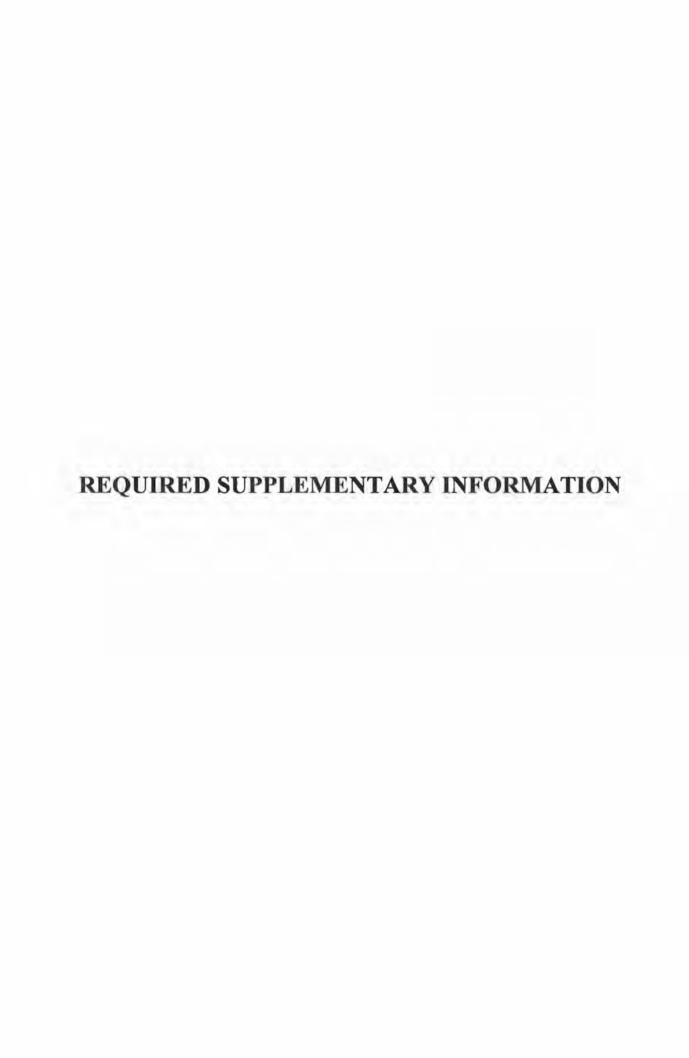
### NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued Years Ended September 30, 2018 and 2017

### 12. PRIOR PERIOD ADJUSTMENT

For fiscal year ended September 30, 2018, the Authority implemented GASB Statement No. 75. As a result, a prior period adjustment to the beginning net position for governmental activities for applicable post-employment benefits other than pensions (OPEB) is required. The adjustment is as follows:

Net position as previously stated on September 30, 2017	\$16,866,948
Plus September 30, 2017 deferred outflows – 2017 contributions	888
Less September 30, 2017 total OPEB liability (measurement date)	(52,933)
Net position as restated on September 30, 2017	\$16,814,903





# REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

		-	_	_	_	_	_		Voor Pada	December 31			_	
		2017		2016		2015		2014	2013	2012	2011	2010	2009	2008
otal Pension Liability		201		2020		2010		2017	2010	2012	2011	2010	4002	2000
Service cost	2	170,704	8	189,043	5	177,653	5	179,324	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability		571,650		540,261		500,695		459,093	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes						(33,872)		4	N/A	N/A.	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs		24,458		-		58,664		+	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses		55,906		(126,702)		20,889		44,989	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions		(319,382)		(267,816)		(191,663)		(171,004)	N/A	N/A	N/A	N/A	N/A	N/A
et change in total pension liability		503,336		334,786		532,366		512,402	N/A	N/A	N/A	N/A	N/A	N/A
otal pension liability, beginning	-	7,043,291		6,708,505		6,176,139		5,663,736	N/A	N/A	N/A	N/A	N/A	N/A
otal pension liability, ending (a)	2	7,546,627	8	7,043,291	2	6,708,505	S	6,176,139	NA	N/A	N/A	N/A	N/A	N/A
									N/A	N/A	N/A	N/A	N/A	N/A
duciary Net Position									N/A	N/A	N/A	N/A	N/A	N/A
Employer contributions	\$	103,611	\$	99,671	2	99,794	2	96,084	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions		103,611		99,671		99,794		96,084	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses		1,085,548		518,631		(109,237)		444,841	N/A	N/A	N/A	N/A	N/A.	N/A
Benefit payments/refunds of contributions		(319,381)		(267,816)		(191,663)		(171,004)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses		(5,597)		(5,633)		(5,073)		(5,286)	N/A	N/A	N/A	N/A	N/A	N/A
Other		(1,556)	_	1,306	_	11,611	_	9,359	N/A	N/A	N/A	N/A	N/A	N/A
et change in fiduciary net position		966,236		445,830		(94,773)		470,078	N/A	N/A	N/A	N/A	N/A	N/A.
duciary net position, beginning	_	7,449,396	_	7,003,566	_	7,098,339	_	6,628,261	N/A	N/A	N/A	N/A	N/A	N/A
ductary net position, ending (b)	\$	8,415,632	2	7,449,396	2	7,003,566	\$	7,098,339	N/A	N/A	N/A	N/A	N/A	N/A
et pension liability / (asset), ending = (a) - (b)	5	(869,005)	S	(406,105)	5	(295,062)	5	(922,200)	N/A	N/A	N/A	N/A	N/A	N/A
ductary net position as a % of total pension liability		111.52%	_	105.77%		104.40%	_	114.93%	N/A	N/A	N/A	N/A	N/A_	N/A
nsionable covered payroll	\$	1,480,157	s	1,423,868	5	1,425,630	5	1,372,634	N/A	N/A	N/A	N/A:	N/A	N/A
et pension liability as a % of covered payroll		-58.71%		-28.52%		-20.70%		-67.18%	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

# REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Year Ending December 31	De	ctuarially etermined tribution (1)	E	Actual mployer tribution (1)	De	tribution ficiency excess)	ensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
2008	\$	77,701	s	77,701	\$	-	\$ 1,110,014	7.0%
2009		85,526		85,526		ų.	1,221,798	7.0%
2010		33,883		87,198		(53,316)	1,245,691	7.0%
2011		33,249		87,575		(54,326)	1,249,980	7.0%
2012		35,552		91,494		(55,942)	1,307,056	7.0%
2013		41,163		93,551		(52,389)	1,336,446	7.0%
2014		50,787		96,084		(45,297)	1,372,634	7.0%
2015		47,331		99,794		(52,463)	1,425,630	7.0%
2016		43,286		99,671		(56,385)	1,423,868	7.0%
2017		51,213		103,611		(52,398)	1,480,157	7.0%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions reported to TCDRS.

# REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

						Vone Padad	December 31				
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability								****	2010	2007	2000
Service cost	3.	1,350	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability		2,035	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs		2,848	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses		749	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions		(888)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
let change in total pension liability		6,094	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
otal pension liability, beginning	1	52,533	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
otal pension liability, ending (a)	2	59,027	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	S	1,480,157	N/A	N/A	N/A_	N/A	N/A	N/A	N/A	N/A	N/A
let OPEB liability as a % of covered payroll		3.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2018

### A. DEFINED BENEFIT PENSION PLAN

### Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

### Changes of assumptions

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

### B. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

### Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

#### Changes of assumptions

There were no changes in the actuarial assumptions that affected the measurement of the total OPEB liability during the measurement period.

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OTHER	CHIDDI	A DV/ INI	EODM A	TION
	SUPPLE			

### COMBINING SCHEDULE OF NET POSITION September 30, 2018

Enterprise Funds										
Utility Division Fund	Environmental Services Division Fund	Direct Financing Arrangements Fund	Industrial Development Authority Fund							
	100	-6.								
\$ 776,918	\$ -	S -	\$ -							
917,617	160,028	4,375	-							
0.00										
42,262	*		-							
	-		38,750							
14,509,491	160,028	4,375	38,750							
			-							
3 239 741	- 3		- 6							
	75 493		_							
		-								
			-							
23,374,305	235,521	4,375	38,750							
14)			- 2							
	41 674									
411.405	707 E 01 Y		- 3							
	03,301									
		975								
	5 507	975								
	3,357									
	- 3	2								
		9								
	110.832	875								
		-								
375 077		12								
			- 3							
			2							
107,702										
104.291		7								
	-	-	-							
1000			-							
16,556,247	110,832	875	_							
-			-							
5,559,794	75,493	1.0								
159,829										
139,029										
1,098,435	49,196	3,500	38,750							
	\$ 776,918 917,617 42,262 12,772,694 14,509,491 3,239,741 5,625,073 8,864,814 23,374,305 411,405 4,200 21,502 6,974 87,545 340,967 872,593 375,977 14,925,634 187,762 194,281 15,683,654	Utility Division Fund         Environmental Services Division Fund           \$ 776,918         \$ -           917,617         160,028           42,262         -           12,772,694         160,028           14,509,491         160,028           3,239,741         5,625,073         75,493           8,864,814         75,493         75,493           23,374,305         235,521           41,674         41,674           41,674         63,561           4,200         -           21,502         5,597           6,974         87,545           340,967         -           872,593         110,832           375,977         14,925,634           187,762         -           194,281         -           15,683,654         -           16,556,247         110,832	Utility Division Fund         Environmental Services Division Fund         Direct Financing Arrangements Fund           \$ 776,918         \$ - \$           917,617         160,028         4,375           42,262							

_			1	nterna									
_	General Division Fund	Interfund Loan Fund		Maintenance Division Fund			nmunications Division Fund	Motor Vehicle Pool Fund		Eliminations		_	Totals
\$	3,265,589	\$	3,285,844	\$	382,046	s	1,005,147	\$	281,746	s	(41,674)	\$	8,955,616
	31,487				7,588		19,182						1,140,277
	875		2		7,500		12,102		2		(875)		1,140,277
	-		220,620						*		(220,620)		
	11,247				150				1				53,659
			-		56,065						-		56,065
					- 4								12,811,444
Ξ	3,309,198	_	3,506,464		445,849		1,024,329		281,746	=	(263,169)		23,017,061
	-		1,448,489								(1,448,489)		
	869,005		+				-				**********		869,005
	183,331		~		104,312								3,527,384
	627,713		*		119,104	_	28,489	_	152,942	-	3	_	6,628,814
_	1,680,049	-	1,448,489	-	223,416	_	28,489	_	152,942	-	(1,448,489)	_	11,025,203
_	4,989,247	_	4,954,953	_	669,265	-	1,052,818	_	434,688	-	(1,711,658)	-	34,042,264
_	189,261	>-		_		-		_		-		-	189,261
											(41,674)		
	25,392				7,743		223		12,486		( ) - ( ) - ( )		520,810
			1.2		1100				-		-		4,200
			-		9		-		4		(875)		
	6,178		- 2		3,462		10.00		-				36,739
	10.11		-				41,922		*****				48,896
	48,447				18,147		6,499		59,982		(220,620)		740.067
	80,017				29,352		48,644		72,468	Ξ	(263,169)		340,967 951,612
	765,006				190,224		13,914		103,368		(1,448,489)		
	8		-						Teles ( a)				14,925,634
			-		-								187,762
	59,027		-		12				+		-		59,027
_	******	_	-		******	-			+.	-			194,281
-	824,033	-	<u>`</u>	-	190,224	-	13,914	-	103,368	_	(1,448,489)	-	15,366,704
-	904,050	_	- 4	_	219,576	-	62,558	_	175,836	-	(1,711,658)	-	16,318,316
_	142,461	_	8	_		_	-	_	_ =	_		_	142,461
	(2,409)		9		15,045		8,076		(10,408)		1,669,109		7,314,700
	4,134,406		4,954,953	-	434,644		982,184		269,260		(1,669,109)		159,829 10,296,219
			I STATE				1 C T A T A		12.0				7 7 7
S	4,131,997	\$	4,954,953	\$	449,689	\$	990,260	S	258,852	\$		\$	17,770,748

# COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION for the year ended September 30, 2018

Enterprise Funds											
Utility Division Fund	Environmental Services Division Fund	Direct Financing Arrangements Fund	Industrial Development Authority Fund								
0.00000											
\$ 5,426,272			S -								
2	534,411	3,500									
175 244		*									
5,546,077	827,827	3,500									
	1.18.										
1,010,868	166,455	*	165								
933,710	340,003	-	-								
	1.70		-								
234,010	16,609		-								
13,161	250	4	-								
	23,710										
4,013,354	883,625	T	165								
1,532,723	(55,798)	3,500	(165)								
(499,078)	(35,671)										
1,033,645	(91,469)	3,500	(165)								
261,416	108	-	165								
	-	-									
(579,172)											
(317,756)	108		165								
715,889	(91,361)	3,500									
6,102,169	216,050		38,750								
1000000											
6,102,169	216,050		38,750								
\$ 6,818,058	\$ 124,689	\$ 3,500	\$ 38,750								
	\$ 5,426,272  119,805  5,546,077  807,778 1,013,827 1,010,868 933,710  234,010 13,161  4,013,354  1,532,723 (499,078) 1,033,645  261,416 (579,172) (317,756)  715,889  6,102,169	Utility Division Fund         Environmental Services Division Fund           \$ 5,426,272         \$ - 534,411           119,805         293,416           5,546,077         827,827           807,778         1,013,827         336,598           1,010,868         166,455         933,710         340,003           234,010         16,609         13,161         250           23,710         4,013,354         883,625           1,532,723         (55,798)         (35,671)           1,033,645         (91,469)           261,416         108           (579,172)         -           (317,756)         108           715,889         (91,361)           6,102,169         216,050	Utility Division Fund         Environmental Services Division Fund         Direct Financing Arrangements Fund           \$ 5,426,272         \$ -         \$ -           \$ 5,426,272         \$ -         \$ -           \$ 534,411         3,500           119,805         293,416         -           5,546,077         827,827         3,500           807,778         1,013,827         336,598         -           1,010,868         166,455         -           933,710         340,003         -           234,010         16,609         -           13,161         250         -           23,710         -         -           4,013,354         883,625         -           1,532,723         (55,798)         3,500           (499,078)         (35,671)         -           1,033,645         (91,469)         3,500           261,416         108         -           (579,172)         -         -           (317,756)         108         -           715,889         (91,361)         3,500           6,102,169         216,050         -           6,102,169         216,050         -								

_			I										
	General Division Fund	- 1	erfund Loan Fund	Maintenance Division Fund			munications Division Fund	Motor Vehicle Pool Fund		Eliminations			Totals
\$	140	S	-	S		S		\$		\$		\$	5,426,272
	5,849		+		405,451		60,804		226,142		(646,671)		589,486
	1,155,951		,e						-	(	1,155,951)		
			- 4		-								413,221
	1,161,800				405,451		60,804	_	226,142	(	1,802,622)		6,428,979
									4		9.		807,778
	589,382				179,952								2,119,759
	57,488		12,681		52,263		3,185		13,222	(	1,155,951)		160,376
	92,866		1.00		68,424		12,927		141		(420,529)		1,027,401
	61,172		*		100		*		100				61,172
	11,592		143		46,858		2		136,357		(226, 142)		219,284
	142,332						*		-				155,743
_	4,100	-	100		*	-	7		1	_		_	27,810
_	958,932	_	12,681	-	347,497	_	16,112	_	149,579	(	1,802,622)	_	4,579,323
	202,868		(12,681)		57,954		44,692		76,563				1,849,656
	(59,916)		-		(24,763)		(12,755)		(73,091)				(705,274)
_	142,952		(12,681)		33,191		31,937		3,472			=	1,144,382
	19,609		126,806		2,036		5,796		2,296		(102,090)		316,142
	4,288		-		7.				30,719				35,007
_	(38,259)		-		(10,590)	_	(1,926)		(11,829)		102,090	_	(539,686)
-	(14,362)	_	126,806	_	(8,554)	-	3,870	-	21,186	-	-	-	(188,537)
_	128,590	$\perp$	114,125	_	24,637	_	35,807	_	24,658	_	٠,	_	955,845
	4,055,452	4	,840,828		425,052		954,453		234,194		4		16,866,948
_	(52,045)		-		-	_	-						(52,045)
_	4,003,407	4	,840,828	_	425,052	-	954,453	-	234,194				16,814,903
\$	4,131,997	5 4	,954,953	\$	449,689	\$	990,260	\$	258,852	S	-	5	17,770,748

### COMBINING SCHEDULE OF CASH FLOWS

for the year ended September 30, 2018

	Enterprise Funds											
		Utility Division Fund	1	ironmental Services ision Fund	Fine	rect incing gements und	Dev	dustrial elopment ithority Fund				
Increase (decrease) in cash and cash equivalents:				-								
Cash flows from operating activities:												
Cash received from customers and users	\$	5,469,201	\$	822,298	S	-	\$	-				
Cash received from internal services provided				6.112 June		20		-				
Cash payments to suppliers for goods and services		(2,687,217)		(498,755)		0.5						
Cash payments to employees for services		(1,010,330)		(337,148)								
Cash payments for internal services used	_	1 200	_	712 (02)	_		_	(165)				
Net cash provided by (used in) operating activities	-	1,771,654	-	(13,605)			_	(165)				
Cash flows from capital and related financing activities:												
Principal paid on revenue bonds and notes		(459,966)		140		4						
Proceeds from interfund loans		22,147		4		-						
Principal paid on interfund loans		(94,507)		-		-		-				
Interest paid on revenue bonds and notes		(543,650)		2		-		-				
Interest paid on interfund loans		(39,486)		-								
Acquisition of capital assets		(2,843,075)		(13,719)								
Proceeds from sale of equipment	-			-		- 3 -	-					
Net eash provided by (used in) capital and related financing activities	-	(3,958,537)	_	(13,719)		×_						
Cash flows from investing activities:												
Interfund loan advances				-				-				
Collections received on interfund loans				-		1.4		-				
Interest received on interfund loans				7		1.5						
Proceeds from sales of investments		1.50		21		-		-				
Interest received on investments	-	261,416		108				165				
Net cash provided by (used in) investing activities	-	261,416	_	108	_	040	_	165				
Net increase (decrease) in cash and cash equivalents		(1,925,467)		(27,216)		-						
Cash and cash equivalents (deficit), beginning	_	15,475,079	_	(14,458)		-		38,750				
Cash and cash equivalents (deficit), ending	5	13,549,612	\$	(41,674)	\$	15.0	\$	38,750				

_													
1	General Division Fund	-	Interfund Loan Fund		nintenance Division Fund		munications Division Fund	Ve	Motor chicle Pool Fund	E	iminations	_	Totals
\$	5,833 1,155,951 (362,580) (561,791) - 237,413	\$	(12,681)	5	408,542 (160,176) (179,354) - - 69,012	\$	47,736 (16,026)	\$	226,142 (146,696) 	s	(420,529) (1,382,093) 1,790,894 (1,118) 12,846	\$	6,333,081 (2,080,556) (2,089,741) 
_	39,488 (49,390) - (38,259) (47,183) 4,219 (91,125)	39,488 (49,390) (38,259) (47,183) 4,219		333,800 (148,230) (10,590) (196,442) (21,462)		_	(6,736) (1,926) (6,377) (15,039)		57,948 (11,829) (130,980) 31,750 (53,111)	(11,829) 102,090 (130,980) 31,750			(459,966) (543,650) (3,237,776) 35,969 (4,205,423)
=	19,609 19,609 165,897	=	395,435 (549,955) 102,090 24,716 (27,714) (40,395)		2,036 2,036 49,586	_	5,796 5,796 22,467	=	2,296 2,296 28,631	=	(395,435) 549,955 (102,090) - - 52,430	-	316,142 316,142 (1,726,497)
s	3,099,692 3,265,589	S	3,326,239 3,285,844	\$	332,460 382,046	\$	982,680 1,005,147	s	253,115 281,746	s	-	\$	23,493,557

# COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS, Continued for the year ended September 30, 2018

	Enterprise Funds												
		Utility Division Fund	Environmental Services Division Fund		Fii Arra	Direct nancing ngements Fund	Deve	lustrial lopment thority Fund					
Reconciliation of operating income to net cash provided (used) by operating activities:													
Operating Income (loss)	S	1,033,645	\$	(91,469)	\$	3,500	\$	(165)					
Adjustments to reconcile operating income (loss) to net													
cash provided by operating activities:													
Depreciation and amortization		499,078		35,671		~		-					
Change in assets and liabilities:													
(Increase) decrease in trade receivables		(78,279)		(5,529)		(3,500)		-					
(Increase) decrease in prepaid expenses		10.0				1		-					
(Increase) decrease in inventory		7				-		-					
(Increase) decrease in net pension assets		3		1.8		-		-					
(Increase) decrease in deferred outflows		7.5				-							
Increase (decrease) in trade accounts payable		312,310		48,272		-							
Increase (decrease) in accrued payroll and related liabilities		3,497		(550)		-		-					
Increase (decrease) in unearned revenues		(497)				-		8					
Increase (decrease) in total OPEB liability						-		-					
Increase (decrease) in deposits		1,900				15							
(Increase) decrease in deferred inflows	-		_		_	-							
Total adjustments	100	738,009	-	77,864	-	(3,500)							
Net cash provided by (used in) operating activities	\$	1,771,654	\$	(13,605)	\$		\$	(165)					

_			I	nternal	Service Fu	ids						
	General Division Fund	-	nterfuod Loan Fund	D	intenance vivision Fund	D	nunications Division Fund	Veh	Motor sicle Pool Fund	Elimi	inations	Totals
\$	142,952	\$	(12,681)	\$	33,191	\$	31,937	\$	3,472	5	4	\$ 1,144,382
	59,916		4		24,763		12,755		73,091		3	705,274
	(16)				3,091		(16,417)		~			(100,650)
	(1,531)				(150)						-	(1,681)
			2		2,026		4		-		2	2,026
	(462,900)		1+				-		-		-	(462,900)
	444,837		14		-		-		~			444,837
	8,501				5,493		86		2,883		-	377,545
	(2,427)		- 2		598		-		100		-	1,118
	-		-				3,349		-		-	2,852
	6,982		13		~		Test		-		-	6,982
					-		-		1 40		-	1,900
	41,099		- 2		-						-	41,099
	94,461	100	3	10	35,821		(227)		75,974		- 3	1,018,402
\$	237,413	\$	(12,681)	5	69,012	\$	31,710	\$	79,446	\$	- 4	\$ 2,162,784

### RED RIVER AUTHORITY OF TEXAS COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - ENTERPRISE FUNDS

# BUDGET AND ACTUAL

for the year ended	September	30, 2018
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		U	tility	Division Fund	1	Environmental Services Fund							
		Original and Final Budget	Actual			Variance Positive (Negative)		Original and Final Budget		Actual	1	ariance Positive (egative)	
Operating revenues:						402.40	-		13				
Water and sewer sales	\$	4,847,921	\$	5,426,272	S	578,351	\$	3	2	40.740.	2	633,046	
Charges for materials and services		44.154		100 010		49.746		311,118		534,411		223,293	
Other	-	80,166	_	119,805	_	39,639	_	533,254	_	293,416	_	(239,838)	
Total operating revenues	-	4,928,087	-	5,546,077	_	617,990	_	844,372	-	827,827	_	(16,545)	
Operating expenses:													
Water purchases		722,028		807,778		(85,750)				-		100	
Personnel services		1,005,675		1,013,827		(8,152)		318,116		336,598		(18,482)	
Administrative costs		840,222		1,010,868		(170,646)		138,366		166,455		(28,089)	
Utilities, supplies, and maintenance		750,222		933,710		(183,488)		300,336		340,003		(39,667)	
Insurance		221,689				221,689				- 4		- X	
Automobile and travel		30,180		234,010		(203,830)		15,007		16,609		(1,602)	
Professional and directors fees		13,272		13,161		111		11,008		250		10,758	
Research expense		30,180				30,180		-		23,710		(23,710)	
Total operating expenses		3,613,468		4,013,354		(399,886)		782,833		883,625		(100,792)	
Operating income (loss) before						70.0							
depreciation and amortization		1,314,619		1,532,723		218,104		61,539		(55,798)		(117,337)	
Depreciation and amortization		(517,289)		(499,078)		18,211		(47,351)		(35,671)		11,680	
Operating income (loss)		797,330		1,033,645	Ξ	236,315		14,188		(91,469)		(105,657)	
Nonoperating revenues (expenses):													
Interest income		4,605		261,416		256,811		38		108		70	
Gain on sale		-						-		-			
Interest expense		(572,106)	-	(579,172)		(7,066)		(14)		-		14	
Total nonoperating revenues (expenses)		(567,501)		(317,756)		249,745		24		108		84	
Change in net position	5	229,829		715,889	\$	486,060	5	14,212		(91,361)	5	(105,573)	
Net position, beginning				6,102,169						216,050			
Net position, ending			5	6,818,058					s	124,689			

# COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - INTERNAL SERVICE FUNDS BUDGET AND ACTUAL

for the year ended September 30, 2018

		General Division F	und	Interfund Loan Fund							
	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)					
Operating revenues:			7.75	de la constantina	72	C. Lincoln					
Charges for materials and services	\$ 84,34		\$ (78,494)	\$	\$	\$					
Administrative fee income	1,045,74	1,155,951	110,208	-							
Other			-		-	-					
Total operating revenues	1,130,08	1,161,800	31,714	+							
Operating expenses:											
Personnel services	578,049	589,382	(11,333)								
Administrative costs	48,59	57,488	(8,894)	13,994	12,681	1,313					
Utilities, supplies, and maintenance	112,000	92,866	19,134	*							
Insurance	60,47		(693)	4	1.0						
Automobile and travel	14,97	11,592	3,385	150	100						
Professional and directors fees	233,08	142,332	90,755	3	(8)						
Research expense		4,100	(4,100)								
Total operating expenses	1,047,186	958,932	88,254	13,994	12,681	1,313					
Operating income (loss) before depreciation	82,900	202,868	119,968	(13,994)	(12,681)	1,313					
Depreciation	(59,89)	(59,916)	(23)								
Operating income (loss)	23,00	142,952	119,945	(13,994)	(12,681)	1,313					
Nonoperating revenues (expenses):											
Interest income	13,989	19,609	5,620	139,940	126,806	(13,134)					
Gain on disposal of asset	4,000	4,288	288	and the	-	1-1-1-1					
Interest expense	(40,53		2,276	Exercise Au	14						
Total nonoperating revenues (expenses)	(22,540	(14,362)	8,184	139,940	126,806	(13,134)					
Income (loss) before operating transfers	46.	128,590	128,129	125,946	114,125	(11,821)					
Operating transfers in (out)	7,000		(7,000)								
Change in net position	\$ 7,46	128,590	\$ 121,129	\$ 125,946	114,125	\$ (11,821)					
Net position, beginning		4,003,407			4,840,828						
Net position, ending		\$ 4,131,997			\$ 4,954,953						

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### RED RIVER AUTHORITY OF TEXAS

# COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - INTERNAL SERVICE FUNDS BUDGET AND ACTUAL

for the year ended September 30, 2018

		Main	enan	ce Division	Fund		Communications Division Fund							Motor Vehicle Pool Fund					
	a	Original nd Final Budget		Actual		Variance Positive (Negative)		Original and Final Budget		Actual		Variance Positive (Negative)		Original nd Final Budget Actual		1	ariance Positive legative)		
Operating revenues:		100.000		ide ves	į.		2	05'050		20.00		41 0220		224 422		222732			
Charges for materials and services	\$	302,229	\$	405,451	\$	103,222	\$	65,287	\$	60,804	\$	(4,483)	\$	192,964	\$	226,142	\$	33,178	
Operating expenses:																			
Personnel services		133,469		179,952		(46,483)		277		2		277		5		- 2			
Administrative costs		36,235		52,263		(16,028)		3,453		3,185		268		13,473		13,222		251	
Utilities, supplies, and maintenance		51,947		68,424		(16,477)		12,139		12,927		(788)				4			
Automobile and travel		35,214		46,858		(11,644)				4				104,688		136,357		(31,669)	
Total operating expenses	-	256,865		347,497		(90,632)		15,869		16,112		(243)	Ξ	118,161		149,579		(31,418)	
Operating income before depreciation		45,364		57,954		12,590		49,418		44,692		(4,726)		74,803		76,563		1,760	
Depreciation		(19,454)		(24,763)		(5,309)		(8,580)		(12,755)		(4,175)		(74,509)		(73,091)		1,418	
Operating income (loss)		25,910		33,191	=	7,281	=	40,838	=	31,937		(8,901)		294		3,472		3,178	
Nonoperating revenues (expenses):																			
Interest income		1,506		2,036		530		4,303		5,796		1,493		1,196		2,296		1,100	
Gain (loss) on disposal of asset				-		-				E		-		16,665		30,719		14,054	
Interest expense		(1,485)	- 3	(10,590)		(9,105)		(2,021)		(1,926)		95	-	(15,313)		(11,829)	_	3,484	
Total nonoperating revenues (expenses)		21	=	(8,554)		(8,575)	=	2,282		3,870		1,588		2,548	_	21,186	_	18,638	
Change in net position	\$	25,931		24,637	\$	(1,294)	S	43,120		35,807	\$	(7,313)	\$	2,842		24,658	\$	21,816	
Net position, beginning			_	425,052						954,453						234,194			
Net position, ending			S	449,689					\$	990,260					S	258,852			

### Service and Rates Fiscal Year Ending September 30, 2018 (unaudited)

In the past, each water system has maintained its own individual rate. The current rates, that went into effect October 1, 2016, are based on all water and/or sewer systems combined within the Utility Division in order to maintain adequate bond coverage ratios. The residential rates for all water and sewer systems are as follows.

Monthly Minimum: \$73.50 per month with 2,000 gallons

Demand Block 1: \$6.00 per 1,000 gallons for the next 5,000 gallons

Demand Block 2: \$8.75 per 1,000 gallons for all water used over 7,000 gallons

Sewer Monthly Rate: \$46.50 (only for those with sewer services)

The rates are designed to provide the revenues needed to recover the cost of operating and pay the debt service. They are based on audited fiscal year 2016 historical financial data and on consumptive data without a margin for profit or return on investment.

The Authority had three thousand eight hundred seventy-three (3,873) metered connections as of September 30, 2018. During the fiscal year 531.58 million gallons of treated water was produced, with 357.06 million gallons being sold. The total anticipated debt service for the Utility Division in fiscal year 2019 is \$880,239.

### SCHEDULE OF PROPRIETARY FUND EXPENSES

(Before Intrafund Eliminations) for the year ended September 30, 2018

Personnel (including benefits and GASB 68 adjustments)	\$	2,119,759
Professional fees:		
Auditing		34,650
Legal		45,296
Purchased services for resale:		
Bulk water and wastewater service purchases		807,778
Utilities		156,820
Repairs and maintenance		755,778
Administrative expenditures:		
Directors fees		14,030
Office supplies		62,320
Insurance		61,172
Other administrative expenses		1,178,805
Regulatory fees		47,035
Other expenditures	_	2,445,552
TC	OTAL EXPENSES \$	7,728,995
Number of persons employed by the Authority:	30	

# SCHEDULE OF TEMPORARY INVESTMENTS for the year ended September 30, 2018

None

Exhibit C-9

# RED RIVER AUTHORITY OF TEXAS

# TAXES LEVIED AND RECEIVABLE for the year ended September 30, 2018

The Red River Authority of Texas does not levy taxes.

# BONDED DEBT AND INTEREST MATURITIES WATER REVENUE BONDS

# September 30, 2018

A	D			11	0
Annual	Kea	uirements	TOP	all	Series
Z ALLIA COCCAL	1100	CHILOTIFO TEND	101	CLII	DOLLOS

			4-50-7 T-C-11	in our on the tar	20000	Annual
Fiscal Year	Bong	d Maturities	Intere	est on Bonds	Re	quirements
2018-2019	\$	340,967	\$	539,272	\$	880,239
19-20		346,800		532,788		879,588
20-21		358,000		523,034		881,034
21-22		369,000		512,858		881,858
22-23		380,000		502,302		882,302
23-24		396,200		488,011		884,211
24-25		407,400		473,045		880,445
25-26		428,600		454,006		882,606
26-27		449,800		433,898		883,698
27-28		466,000		416,720		882,720
28-29		482,200		398,878		881,078
29-30		491,634		384,680		876,314
30-31		460,000		370,000		830,000
31-32		470,000		355,625		825,625
32-33		490,000		340,350		830,350
33-34		505,000		324,425		829,425
34-35		520,000		307,381		827,381
35-36		540,000		289,831		829,831
36-37		555,000		270,931		825,931
37-38		575,000		251,506		826,506
38-39		595,000		230,662		825,662
39-40		620,000		209,094		829,094
40-41		640,000		186,619		826,619
41-42		665,000		163,419		828,419
42-43		690,000		139,312		829,312
43-44		715,000		113,438		828,438
44-45		740,000		86,625		826,625
45-46		770,000		58,875		828,875
46-47	_	800,000		30,000	-	830,000
	\$	15,266,601	\$	9,387,585	\$	24,654,186

# DEBT SERVICE COVERAGE WATER REVENUE BONDS

# September 30, 2018

# Water Revenue Bonds

Net income utility division (Exhibit C – 2) Add:		\$	715,889
Revenue bond interest expense Depreciation and amortization, net	\$ 543,802 499,078		
		-	1,042,880
Net earnings for determining debt service coverage			1,758,769
Total principal and interest requirements		\$ 2	24,654,186
Number of years remaining to pay bonds		-	÷29
Average annual principal and interest requirement		_\$_	850,144
Average annual debt service coverage		_	2.07
Maximum principal and interest requirement		_\$_	884,211
Maximum debt service coverage		-	1.99
Interest and Sinking Fund as of September 30, 2018		\$	159,829
Bond Reserve Fund as of September 30, 2018		\$	1.0

# CONTRACT REVENUE BONDS - SERIES 2010 DATED AUGUST 5, 2010

TOTAL BOND ISSUE: \$849,200

	Prin	Bond cipal Due		Interest D		V-0-		al Annual	Ou	Bonds tstanding
Year	Au	igust 15	Feb	ruary 15	Au	gust 15	Req	uirement	Sep	tember 30
2017-18									\$	556,601
18-19	\$	40,967	\$	5,836	\$	5,836	\$	52,639		515,634
19-20		41,800		5,594		5,594		52,988		473,834
20-21		43,000		5,292		5,292		53,584		430,834
21-22		44,000		4,929		4,929		53,858		386,834
22-23		45,000		4,526		4,526		54,052		341,834
23-24		46,200		4,081		4,081		54,362		295,634
24-25		47,400		3,597		3,597		54,594		248,234
25-26		48,600		3,078		3,078		54,756		199,634
26-27		49,800		2,524		2,524		54,848		149,834
27-28		51,000		1,935		1,935		54,870		98,834
28-29		52,200		1,314		1,314		54,828		46,634
29-30	_	46,634	_	665	_	665	_	47,964		-
	\$	556,601	\$	43,371	\$	43,371	\$	643,343		

Redemption of Bonds: The Authority has the right, at its option, to redeem bonds.

### CONTRACT REVENUE BONDS - SERIES 2017 DATED JUNE 1, 2017

TOTAL BOND ISSUE: \$15,130,000

	Bone	d Principal		Interest D	ue 1.9	3%	Tota	al Annual	Oı	Bonds utstanding
Year	Due	August 15	Fe	bruary 15	A	ugust 15	Rec	uirement	Sep	otember 30
2017-18									\$	14,710,000
18-19	\$	300,000	\$	263,800	\$	263,800	\$	827,600		14,410,000
19-20	2	305,000		260,800		260,800		826,600		14,105,000
20-21		315,000		256,225		256,225		827,450		13,790,000
21-22		325,000		251,500		251,500		828,000		13,465,000
22-23		335,000		246,625		246,625		828,250		13,130,000
23-24		350,000		239,925		239,925		829,850		12,780,000
24-25		360,000		232,925		232,925		825,850		12,420,000
25-26		380,000		223,925		223,925		827,850		12,040,000
26-27		400,000		214,425		214,425		828,850		11,640,000
27-28		415,000		206,425		206,425		827,850		11,225,000
28-29		430,000		198,125		198,125		826,250		10,795,000
29-30		445,000		191,675		191,675		828,350		10,350,000
30-31		460,000		185,000		185,000		830,000		9,890,000
31-32		470,000		177,813		177,812		825,625		9,420,000
32-33		490,000		170,175		170,175		830,350		8,930,000
33-34		505,000		162,213		162,212		829,425		8,425,000
34-35		520,000		153,691		153,690		827,381		7,905,000
35-36		540,000		144,916		144,915		829,831		7,365,000
36-37		555,000		135,466		135,465		825,931		6,810,000
37-38		575,000.		125,753		125,753		826,506		6,235,000
38-39		595,000		115,331		115,331		825,662		5,640,000
39-40		620,000		104,547		104,547		829,094		5,020,000
40-41		640,000		93,310		93,309		826,619		4,380,000
41-42		665,000		81,710		81,709		828,419		3,715,000
42-43		690,000		69,656		69,656		829,312		3,025,000
43-44		715,000		56,719		56,719		828,438		2,310,000
44-45		740,000		43,313		43,312		826,625		1,570,000
45-46		770,000		29,438		29,437		828,875		800,000
46-47		800,000	_	15,000	_	15,000		830,000	_	
	\$	14,710,000	\$	4,650,426	\$	4,650,417	\$ 3	24,010,843		

Redemption of Bonds:

The Authority has the right, at its option, to redeem bonds.

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# RED RIVER AUTHORITY OF TEXAS

### ANALYSIS OF CHANGES IN BONDED DEBT for the year ended September 30, 2018

	Series 2010	Series 2017	Totals
Interest Rate	1.93%	3.57%	
Dates Interest Payable	2/15; 8/15	10/1; 4/1	
Maturity Dates	8/15/2030	4/1/2047	
Bonds Outstanding, Beginning of Current Year	\$ 596,566	\$15,130,000	\$ 15,726,
Principal Retirements	39,965	420,000	459,
Bonds Outstanding, End of Year	556,601	14,710,000	15,266,0
Interest payments	12,068	531,800	543,8

Paying Agent's Name and Address

Greater Texoma Utility Authority 5100 Airport Drive Denison, TX 75020 - (Series 2010)

BOK Financial, NA 5956 Sherry Lane, Suite 1201 Dallas, TX 75225 - (Series 2017)

Bond Authority:

	Tax Bonds	Other Bonds	Refunding Bonds	
Amount Issued	\$	\$15,792,000	\$ -	
Remaining to be Issued	\$ ~	\$ -	\$	

# COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES PROPRIETARY FUND (Before Intrafund eliminations) LAST FIVE YEARS

	AMOUNTS					
	2018	2017	2016	2015	2014	
Operating revenues:	11000	5.000.000.00		G 5/3/2/201	200	
Water service	\$ 5,352,593	\$ 5,050,499	\$ 3,933,212	\$ 3,903,169	\$ 3,683,626	
Sewer service	73,679	88,487	93,912	94,633	96,169	
Issuance fees	8	100	April 1997	-	175	
Tap connection fees	20,400	15,390	29,830	27,364	26,740	
Other	2,784,929	2,606,786	2,519,737	2,612,816	2,843,222	
Total operating revenues	8,231,601	7,761,162	6,576,691	6,637,982	6,649,757	
Operating expenses:						
Water purchases	807,778	714,756	661,675	628,527	601,222	
Personnel services less NPO	2,119,759	2,051,454	1,960,880	1,797,435	1,776,013	
Administrative costs	1,316,327	1,205,106	1,098,948	981,545	941,444	
Utilities, supplies, and maintenance	1,447,930	1,310,092	1,300,199	1,054,579	1,211,570	
Insurance	61,172	61,470	53,398	50,822	52,961	
Automobile and travel	445,426	357,602	362,266	400,920	462,914	
Professional and directors fees	155,743	376,864	84,145	321,222	149,930	
Research expense	27,810	78,710	23,710		39,690	
Depreciation and amortization	705,274	699,233	693,032	708,830	727,832	
Total operating expenses	7,087,219	6,855,287	6,238,253	5,943,880	5,963,576	
Operating income	1,144,382	905,875	338,438	694,102	686,181	
Nonoperating revenues (expenses)						
Interest	418,232	197,503	130,252	105,263	102,599	
Gain on disposal of assets	35,007	100	5,217	225,268	29,658	
Interest expense and fiscal fees	(641,776)	(251,929)	(117,240)	(111,977)	(198,986)	
Total nonoperating						
revenues (expenses)	(188,537)	(54,326)	18,229	218,554	(66,729)	
Change in net position	\$ 955,845	\$ 851,549	\$ 356,667	\$ 912,656	\$ 619,452	

2018	2017	2016	2015	2014
65.0%	65.1%	59.8%	58.8%	55,4%
0.9%	1.1%	1.4%	1.4%	1.4%
0.0%	0.0%	0.0%	0.0%	0.0%
0.2%	0.2%	0.5%	0.4%	0.4%
33.8%	33.6%	38.3%	39.4%	42.8%
100.0%	100.0%	100.0%	100.0%	100.0%
9.8%	9.2%	10.1%	9.5%	9.0%
25.8%	26.4%	29.8%	27.1%	26.7%
16.0%	15.5%	16.7%	14.8%	14.2%
17.6%	16.9%	19.8%	15.9%	18.29
0.7%	0.8%	0.8%	0.8%	0.8%
5.4%	4.6%	5.5%	6.0%	7.0%
1.9%	4.9%	1.3%	4.8%	2.39
0.3%	1.0%	0.4%	0.0%	0.6%
8.6%	9.0%	10.5%	10.7%	10.9%
86.1%	88.3%	94.9%	89.5%	89.7%
13.9%	11.7%	5.1%	10.5%	10.3%
5.1%	2.5%	2.0%	1.6%	1.5%
0.4%	0.0%	0.1%	3.4%	0.49
-7.8%	-3.2%	-1.8%	-1.7%	-3.0%
-2.3%	-0.7%	0.3%	3.3%	-1.0%
11.6%	11.0%	5.4%	13.7%	9.3%

### ENTERPRISE FUNDS CAPITAL ASSETS

for the year ended September 30, 2018

	Balance			Balance	
	October 1, 2017	Additions / Completions	Deletions / Adjustments	September 30, 2018	
UTILITY DIVISION FUND				_	
Capital assets not being depreciated:					
Land and easements	\$ 171,798	\$ -	\$	\$ 171,798	
Construction in progress	253,008	2,871,090	(56,155)	3,067,943	
Total capital assets not being					
depreciated	424,806	2,871,090	(56,155)	3,239,741	
amortized:					
Water storage rights	1,222,700	-	-	1,222,700	
Water and sewer systems	17,312,147	28,140	(417,591)	16,922,696	
Total capital assets being		-			
depreciated and amortized	18,534,847	28,140	(417,591)	18,145,396	
Less accumulated depreciation and amortization for:			42-14-32		
Water storage rights	(257,159)	(7,471)		(264,630)	
Water and sewer systems	(12,181,677)	(480,235)	406,219	(12,255,693)	
amortization	(12,438,836)	(487,706)	406,219	(12,520,323)	
and amortized, net	6,096,011	(459,566)	(11,372)	5,625,073	
Total capital assets, net	\$ 6,520,817	\$ 2,411,524	\$ (67,527)	\$ 8,864,814	
ENVIRONMENTAL SERVIC	ES DIVISION F	UND			
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	
Capital assets being depreciated:					
Machinery and equipment	\$ 624,565	\$ 13,720	\$ (5,321)	\$ 632,964	
Motor vehicles	34,340		-	34,340	
Total capital assets being					
depreciated	658,905	13,720	(5,321)	667,304	
Less accumulated depreciation for:					
Machinery and equipment	(541,428)	(30,766)	5,321	(566,873)	
Motor vehicles	(20,032)	(4,906)	10	(24,938)	
Total accumulated depreciation	(561,460)	(35,672)	5,321	(591,811)	
and amortized, net	97,445	(21,952)		75,493	
Total capital assets, net					

#### INTERNAL SERVICE FUNDS CAPITAL ASSETS

for the year ended September 30, 2018

	Balance 2017	Additions / Completions	Deletions / Adjustments	Balance 2018		
GENERAL DIVISION FUND						
Capital assets not being depreciated:						
Land and easements	\$ 183,331	\$ -	\$ -	\$ 183,331		
Total capital assets not being						
depreciated	183,331	-		183,331		
Capital assets, being depreciated:	-					
Furniture and fixtures	391,442	7,695	(88,960)	310,177		
Building	973,354	-		973,354		
Motor vehicles	71,493	39,488	(27,237)	83,744		
Total capital assets being		-				
depreciated	1,436,289	47,183	(116,197)	1,367,275		
Less accumulated depreciation for:						
Furniture and fixtures	(365,716)	(16,618)	89,029	(293,305)		
Building	(359,513)	(34,261)		(393,774)		
Motor vehicles	(70,683)	(9,037)	27,237	(52,483)		
Total accumulated depreciation	(795,912)	(59,916)	116,266	(739,562)		
Total capital assets being depreciated, net	640,377	(12,733)	69	627,713		
Total capital assets, net	\$ 823,708	\$ (12,733)	\$ 69	\$ 811,044		
MAINTENANCE DIVISION FUND						
Capital assets not being depreciated:						
Land easements	\$ 4,312	\$ 100,000	\$ -	\$ 104,312		
Total capital assets not being						
depreciated	4,312	100,000	200	104,312		
Capital assets, being depreciated:						
Building	+	55,014		55,014		
Machinery and equipment	80,297	19,837	(2,649)	97,485		
Motor vehicles	92,588	27,969	(7,999)	112,558		
Total capital assets being depreciated	172,885	102,820	(10,648)	265,057		
Less accumulated depreciation for:						
Building		(3,084)	18	(3,084)		
Machinery and equipment	(72,611)	(5,377)	2,648	(75,340)		
Motor vehicles	(52,848)	(18,645)	3,964	(67,529)		
Total accumulated depreciation	(125,459)	(27,106)	6,612	(145,953)		
Total capital assets, being depreciated, net	47,426	75,714	(4,036)	119,104		
Total capital assets, net	\$ 51,738	\$ 175,714	\$ (4,036)	\$ 223,416		

### INTERNAL SERVICE FUNDS CAPITAL ASSETS

for the year ended September 30, 2018

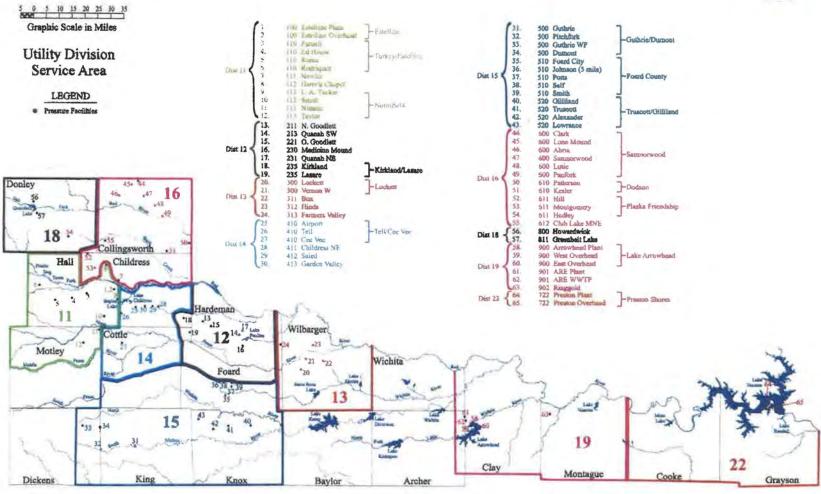
	H	Balance 2017	Additions			Deletions / Adjustments		Balance 2018	
COMMUNICATIONS DIVISION FUND			-						
Capital assets not being depreciated:									
Construction in progress	\$		\$	-	\$	200	\$		
Total capital assets not being depreciated									
Capital assets, being depreciated:	-	-	-		-	-	-	-	
Machinery and equipment	s	320,726	\$	-6	\$		S	320,726	
Total capital assets, being	-	520,720	Ψ					320,720	
depreciated		320,726		-				320,726	
Less accumulated depreciation for:	_	320,720	-		-		_	320,720	
Machinery and equipment		(285,859)		(6,378)				(292,237)	
Total accumulated depreciation		(285,859)	-	(6,378)		-		(292,237)	
Total capital assets being depreciated, net	-	34,867	-	(6,378)			-	28,489	
Total capital assets, net	\$	34,867	\$	(6,378)	\$		\$	28,489	
MOTOR VEHICLE POOL FUND									
Capital assets being depreciated:									
Motor vehicles	\$	427,756		130,980		(147,034)	\$	411,702	
Total capital assets being			-		-		_	1000000000	
depreciated		427,756		130,980		(147,034)		411,702	
Less accumulated depreciation									
for:									
Motor vehicles		(331,673)		(73,091)		146,004		(258,760)	
Total accumulated depreciation		(331,673)		(73,091)		146,004		(258,760)	
Total capital assets, being									
depreciated, net		96,083		57,889		(1,030)		152,942	
Total capital assets, net	\$	96,083	\$	57,889	\$	(1,030)	\$	152,942	

# Exhibit C-18



### RED RIVER BASIN REGIONAL WATER SUPPLY





### SCHEDULE OF CLEAN RIVERS PROGRAM EXPENSES for the year ended September 30, 2018

### State Agency

Texas Commission on Environmental Quality

	582-18		
Contract Number	Year 1	Year 2	Total
Contract Amount			\$ 622,236
Total Receipts and Billings	\$ 293,416	\$ -	293,416
Disbursements/Expenditures			
Personnel/Salaries	76,454	-	76,454
Fringe Benefits	33,119		33,119
Travel	20,548		20,548
Supplies	4,420	-	4,420
Equipment	10,836		10,836
Contractual	13,985		13,985
Other	123,096	-	123,096
Indirect Costs	10,958		10,958
	293,416		293,416
Accrued Revenue at 09-30	\$ 29,519	\$ -	\$ 29,519

### INDIRECT RATE FACTOR for the years ended September 30, 2018 and 2017

Direct Salary Cost	_ 0	FY 2018	FY 2017		
Regular Salaries	\$	1,301,377	\$	1,250,232	
Overtime Salaries		128,884		89,476	
Total Salaries		1,430,261		1,339,708	
Fringe Benefit Pool					
FICA / Medicare		111,657		103,343	
Retirement System Contribution		142,806		240,478	
Health / Life Insurance Plan		308,686		265,089	
Workers Compensation Insurance		22,625		21,638	
Vacation / Holiday Leave		120,833		102,199	
Unemployment Insurance		5,516		637	
<b>Total Fringe Benefits</b>	-	712,123		733,384	
Total Personnel Cost	\$	2,142,384	\$	2,073,092	
Reconciliation of Total Personnel Cost					
Total Personnel Cost per Exhibit A-2	\$	2,119,759	\$	2,051,454	
Add: Net Pension Obligation				-	
Add: Workers Compensation Paid		22,625		21,638	
Total Reconciled Personnel Cost	\$	2,142,384	\$	2,073,092	
Fringe Benefit Rate	, <del>.</del>	49.79%	_	54.74%	
General Overhead					
General Division Operating Expense	\$	207,467	\$	188,360	
General Insurance	4.	43,395	-	40,624	
Total General Overhead	\$	250,862	\$	228,984	
General Overhead Rate		17,54%		17.09%	

### INTERFUND RECEIVABLE AND PAYABLE BALANCES for the year ended September 30, 2018

#### Interfund notes payable to the Interfund Loan Division at September 30, 2018 are:

Fund	IFL Loan Number	Monthly Payment	Principal	Interest at 8%	Maturity Date	Payable September 30, 2018
General Division	GD0011-11	\$ 4,994	\$ 28,584	\$ 31,348	09/30/2036	\$ 768,120
	GD0011-16	238	2,439	411	02/01/2020	3,805
	GD0011-17	210	2,263	262	07/30/2019	2,028
	GD0011-19	80	756	201	02/01/2021	2,097
	GD0011-20	475	1,402	19	12/01/2017	2
	GD0011-21	306	3,491	177	10/01/2018	304
	GD0011-22	317	3,273	527	01/18/2020	4,791
	GD0011-23	964	7,722	2,419	11/15/2022	32,266
Maintenance Division	MD0080-07	520	4,505	1,658	01/01/2022	18,216
	MD0080-08	848	4,269	5,063	10/16/2037	135,731
	MD0080-09	280	1,527	1,277	11/15/2025	18,310
	MD0080-10	683	5,115	1,713	11/15/2021	22,854
	MD0080-11	212	1,037	873	12/15/2025	13,977
Communications Division	CD0081-03	643	5,940	1,781	06/01/2021	19,003
	CD0081-04	84	862	145	02/01/2020	1,344
Motor Pool	MP0082-15	1,640	4,843	65	12/01/2017	_
	MP0082-16	449	1,326	18	12/28/2017	~
	MP0082-17	2,415	27,392	1,584	11/18/2018	4,781
	MP0082-18	2,472	25,215	4,450	03/01/2020	41,800
	MP0082-19	3,198	16,600	5,783	02/28/2022	114,380
				200		

### INTERFUND RECEIVABLE AND PAYABLE BALANCES for the year ended September 30, 2018

#### Interfund notes payable to the Interfund Loan Division at September 30, 2018, continued

Fund	IFL Loan Number	Monthly Payment	Principal	Interest at 8%	Maturity Date	Payable September 30, 2018	
Utility Division Systems:							
100	ES-1001	\$ 125	\$ 1,438	\$ 63	09/30/2018	\$ -	
100	ES-1002	309	2,111	1,599	04/30/2032	38,834	
100	ES-1003	174	1,620	472	05/01/2021	5,008	
110	TE-1101	285	3,300	145	09/30/2018	-	
110	TE-1102	327	3,361	567	02/01/2020	5,244	
410	CH-1410-01	170	1,687	351	07/30/2020	3,465	
411	CH-1411-01	333	3,309	689	07/30/2020	6,796	
510	FC-1510-01	1,191	13,332	960	01/01/2019	4,686	
510	FC-1510-02	313	1,882	1,562	10/28/2025	20,265	
600	SNW-1600-01	439	4,657	608	09/01/2019	5,043	
722	PS-1722-04	4,362	32,126	20,215	04/01/2024	235,074	
800	HW-800-01	104	1,071	172	01/01/2020	1,568	
800	HW-800-02	2,813	22,289	11,465	05/01/2023	131,097	
900	ARR-900-02	245	2,322	617	02/01/2021	6,439	
	Totals		\$243,066	\$ 99,259			



S	STATIST	ΓICAL	SECTI	ON

### NET POSITION BY COMPONENT LAST NINE FISCAL YEARS

(Unaudited)

	2009-2010			2010-2011		2011-2012		
Net investment in capital assets	\$	5,537,508	S	5,919,946	\$	5,995,140		
Restricted		472,206		1,001,023		1,158,346		
Unrestricted		6,174,709		6,663,942		6,559,656		
Total net position	\$	12,184,423	\$	13,584,911	\$	13,713,142		
			-		-			

Note: The net pension obligation figures have been omitted from this exhibit for years 2009-10.

		Fiscal Year								
2012-2013	2013-2014		2014-2015		2015-2016		2016-2017		2017-2018	
\$ 6,124,825	\$	7,467,500	\$	7,323,054	\$	7,453,330	\$	6,572,305	\$	7,314,700
1,223,100 6,553,893		899,564 6,154,206		88,380 8,247,298		88,380 8,473,689		274,937 10,019,706		159,829
\$ 13,901,818	\$	14,521,270	\$	15,658,732	\$	16,015,399	\$	16,866,948	\$	17,770,748

### CHANGES IN NET POSITION LAST NINE FISCAL YEARS

(Unaudited)

	2009-2010	2010-2011	2011-2012	
Operating revenues:	2009-2010	2010-2011	2011-2012	
Water and sewer sales	\$ 3,262,773	\$ 4,137,858	\$ 3,665,182	
Charges for materials and services	459,009	509,152	536,472	
Other	459,299	297,949	445,525	
Total operating revenues	4,181,081	4,944,959	4,647,179	
Operating expenses:				
Water purchases	554,987	609,118	615,679	
Personnel services	1,697,525	1,674,131	1,672,025	
Administrative costs	91,394	83,105	94,985	
Utilities, supplies and maintenance	769,199	781,009	868,088	
Insurance	51,666	50,359	52,824	
Automobile and travel	187,155	222,062	238,380	
Professional and directors fees	130,056	74,239	113,799	
Research expense	19,590	19,745	36,450	
Depreciation and amortization	666,589	691,989	693,154	
Total operating expenses	4,168,161	4,205,757	4,385,384	
Operating income	12,920	739,202	261,795	
Nonoperating revenues (expenses)				
Interest income	86,887	38,190	12,319	
Gain (loss) on disposal of assets	(112,098)	36,787	18,451	
Grant revenues		186,844	-	
Interest expense	(211,658)	(196,161)	(164,334)	
Total nonoperating revenues (expenses)	(236,869)	65,660	(133,564)	
Change in net position	\$ (223,949)	\$ 804,862	\$ 128,231	

			Fiscal Year								
2	2012-2013	2	2013-2014	2	2014-2015	_ 2	2015-2016	2	2016-2017	2	2017-2018
\$	3,710,743 493,992 397,042	S	4,072,153 592,542 520,952	\$	4,066,063 896,461 325,801	\$	4,104,905 597,030 379,887	\$	5,188,070 634,741 351,803	S	5,426,272 589,486 413,221
	4,601,777	_	5,185,647		5,288,325	=	5,081,822		6,174,614	=	6,428,979
	625,545		601,222		628,527		661,675		714,756		807,778
		1,776,013 86,298		1,797,435 163,638		1,960,880 155,203		2,051,454 157,838		2,119,759 160,376	
	750,211 50,471		835,578 52,961		734,127 50,822		933,240 53,398		957,427 61,470		1,027,401 61,172
	238,071		229,942		189,622		178,101		170,987		219,284
	102,848 39,690		149,930 39,690		321,222		84,145 23,710		376,864 78,710		155,743 27,810
	712,312 4,307,557	_	727,832 4,499,466		708,830 4,594,223		693,032 4,743,384	_	699,233	_	705,274
		_		-		-			5,268,739	-	5,284,597
_	294,220	-	686,181	=	694,102	_	338,438	_	905,875	_	1,144,382
	9,197		7,265		5,712		25,385		97,697		316,142
	17,666		29,658		225,268		5,217		100		35,007
	(132,407)		(103,652)	(103,652) (12,426)		(12,373)			(152,123)		(539,686)
	(105,544)	4	(66,729)	-	218,554	_	18,229	-	(54,326)	=	(188,537)
\$	188,676	\$	619,452	\$	912,656	\$	356,667	\$	851,549	\$	955,845

### SCHEDULE OF REVENUES LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year			Environmental Services		Administrative and Mgmt Fees		Interest Income		Other	Total
2008-09	\$	3,451,381	\$	782,733	\$	798,880	\$	41,704	\$ 635,222	\$5,709,920
2009-10		3,371,249		665,632		825,056		27,985	703,012	5,592,934
2010-11		4,272,709		822,560		801,843		12,323	649,274	6,558,709
2011-12		3,750,335		812,008		850,644		12,319	786,921	6,212,227
2012-13		3,783,275		862,053		858,291		9,197	710,081	6,222,897
2013-14		4,072,153		944,978		855,146		7,265	839,473	6,719,015
2014-15		4,303,566		733,559		817,907		5,712	476,465	6,337,209
2015-16		4,215,926		841,070		943,745		25,835	591,725	6,618,301
2016-17		5,259,835		858,442		1,047,268		97,697	595,617	7,858,859
2017-18		5,546,076		827,827		1,155,951		426,396	693,583	8,649,833

### UTILITY DIVISION WATER SALES LAST TEN FISCAL YEARS (Unaudited)

247 3	0.5-1-	223	4111		Type of Service	
Fiscal Year	Metered Connections	Water Sales	Average Monthly Bill	Domestic	Commercial	Wholesale
2008-09	3,983	\$3,331,528	\$ 69.70	87.21%	7.45%	5.34%
2009-10	3,981	3,269,881	68.45	88.58%	6.58%	4.84%
2010-11	4,003	4,154,785	86.49	88.21%	6.49%	5.30%
2011-12	4,002	3,597,232	74.90	89.01%	6.25%	4.74%
2012-13	3,969	3,670,110	77.06	88.79%	6.57%	4.64%
2013-14	3,934	3,959,162	83.87	88.48%	6.83%	4.69%
2014-15	3,921	3,849,876	81.82	89.17%	6.67%	4.09%
2015-16	3,923	3,945,951	83.82	91.96%	7.17%	3.30%
2016-17	3,863	5,050,499	108,95	91.37%	5.06%	3.57%
2017-18	3,873	5,251,916	113.00	91.30%	4.88%	3.82%

### UTILITY DIVISION WATER SALES CHARACTERISTICS LAST TEN FISCAL YEARS (Unaudited)

		Treated Water in Million Gallons									
Fiscal Year	Domestic	Commercial	Treated Wholesale	Raw Wholesale	Total	Peak Month	Monthly Average	Daily Average			
2008-09	266.33	31.77	83.24	45.16	426.50	62.22	35.54	1.17			
2009-10	249.93	30.91	88,05	46,46	415.35	58.36	34.61	1.14			
2010-11	323,42	40.74	120.31	53.33	537.80	91.68	44,82	1.47			
2011-12	248.51	34.26	94.25	48.67	425.69	64.18	35.47	1.17			
2012-13	230.79	32.17	80.93	9.83	353.72	41.92	29.48	0.97			
2013-14	214.71	22.16	60.17	45.24	342.28	40.64	28.52	0.94			
2014-15	202.96	21.70	57.06	4.37	286.09	34.70	23.84	0.78			
2015-16	209.90	19.04	56.46	0.01	285.41	33.57	23.78	0.78			
2016-17	210.38	20.04	56.30	17.90	304.62	36.01	25.38	0.83			
2017-18	235.63	20.07	65.98	35.38	357.06	50.44	29.76	0.99			

### DISTRICTS WITHIN THE UTILITY DIVISION (Unaudited)

Utility District	Square Miles	Service Area Counties	Number of Meters	Total Water Use - MG	Population Served	Water Source
D-11	1,285	Hall / Childress / Motley	286	38.82	715	G/S
D-12	1,160	Hardeman / Childress / Foard	382	45.72	955	S
D-13	947	Wilbarger	456	38.81	1,140	G/S
D-14	802	Childress / Cottle	408	40.38	1,020	S
D-15	2,111	King / Knox / Foard	349	42.04	873	G/S
D-16	1,405	Collingsworth / Hall / Childress	240	31.97	600	G/S
D-18	929	Donley	322	9.49	805	G/S
D-19	2,013	Clay / Montague	752	62.61	1,880	G/S
D-22	934	Grayson	678	92.90	1,695	S

## TOP TEN UTILITY CUSTOMERS CURRENT YEAR AND NINE YEARS AGO (Unaudited) SEPTEMBER 30, 2018

		2017-18			2008-09		
Taxpayer	Location	Rank	Average Bill	Average Use (gals)	Rank	Average Bill	Average Use (gals)
Tanglewood Operators, Inc	Grayson	1	\$ 851	2,861,330	4	\$ -	2
Southwest Water Company	Grayson	2	10,760	2,166,710	1	9,810	3,484,000
City of Chillicothe	Hardeman	3	3,118	889,650	5	2,096	1,398,267
Vest Ranch	Hall/Collingsworth	4	4,739	522,420	3	3,329	623,949
Spades Ranches LTD	Hall	5	1,754	213,950	-	-	
AEP Oklaunion Power Plant	Wilbarger	6	1,907	198,080	2	3,591	584,150
Texas Dept. of Transportation	Various	7	3,081	192,900	4		0.41
Cornerstone Marine Group LP	Grayson	8	1,398	182,890	3	9	9
Buckle L Ranch	Childress	9	2,263	179,490	2	4	
Bradley 3 Ranch LTD	Childress/Hall	10	1,644	167,750	-	-	
Guthrie School	King			9	10	799	130,927
Panfork Baptist Church	Collingsworth	9	- 5	-	8	842	136,136
Cornerstone Marine Group	Grayson	-	3.		9	813	219,025
Texas Dept of Transportation	Donley/Hardeman	18	8	-	4	2,716	491,266
Dan Owenby	Foard	(2	- 0	-	6	1,002	221,088

### SCHEDULE OF WATER REVENUE BOND COVERAGE LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	Bonded Debt Available for Outstanding Debt Service		Average Annual Principal and Interest	Average Annual Times Covered	Maximum Principal and Interest	Maximum Times Covered	
2008-09	\$3,635,000	\$ 870,535	\$ 418,451	2.08	\$ 658,938	1.32	
2009-10	4,057,200	265,602	237,527	1.12	706,161	0.38	
2010-11	3,568,600	1,085,285	225,768	4.81	706,161	1.54	
2011-12	3,047,200	565,481	199,190	2.84	706,161	0.80	
2012-13	2,489,000	685,254	169,853	4.03	706,161	0.97	
2013-14	710,833	1,009,334	52,947	19.06	54,930	18.37	
2014-15	673,667	1,261,991	53,160	23.74	54,930	22.97	
2015-16	635,533	660,741	53,337	12.39	54,930	12.03	
2016-17	15,726,567	1,297,006	851,139	1.52	883,698	1.47	
2017-18	15,266,601	1,723,329	850,144	2.03	884,211	1.95	

### SCHEDULE OF EXPENSES LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	Water and Sewer Systems	Environmental Services	General	Maintenance	Other	Total
2008-09	\$ 3,683,402	\$ 761,344	\$ 800,350	\$ 261,034	\$ 193,044	\$5,699,174
2009-10	3,855,279	727,532	838,919	302,865	224,376	5,948,971
2010-11	3,893,681	730,699	804,597	256,552	252,747	5,938,276
2011-12	3,880,423	831,390	833,043	299,812	329,841	6,174,509
2012-13	3,742,187	927,571	827,230	265,909	336,008	6,098,905
2013-14	3,832,693	971,627	872,883	223,400	261,959	6,162,562
2014-15	3,764,592	794,496	1,052,077	202,913	241,780	6,055,858
2015-16	4,073,720	864,504	978,821	211,998	226,450	6,355,493
2016-17	4,675,606	823,122	1,103,731	275,104	229,653	7,107,216
2017-18	5,099,767	919,296	1,057,107	382,850	269,975	7,728,995

Note: The net pension obligation figures have been omitted from this exhibit for 2008-09 through 2010-11. Additionally, OPEB obligations are not reflected for 2008-09 through 2016-17.

### RED RIVER AUTHORITY OF TEXAS RED RIVER BASIN GENERAL INFORMATION

September 30, 2018 (Unaudited)

Counties: Archer, Armstrong, Baylor, Bowie, Briscoe, Carson, Castro, Childress,

Clay, Collingsworth, Cooke, Cottle, Crosby, Deaf Smith, Dickens, Donley, Fannin, Floyd, Foard, Gray, Grayson, Hale, Hall, Hardeman, Hartley, Hemphill, Hutchinson, King, Knox, Lamar, Lipscomb, Montague, Motley, Oldham, Parmer, Potter, Randall, Red River,

Roberts, Swisher, Wheeler, Wichita, and Wilbarger

Region: The Red River flows from eastern New Mexico across the Texas

Panhandle and becomes the Texas-Oklahoma boundary, then flows into southwest Arkansas, to Louisiana and the Mississippi River. Average annual flow of the river near the Texas-Arkansas state line is 11,490

cubic feet per second (CFS) or 8.3 million acre-feet per year.

Drainage Area: Approximately 94,450 square miles, 24,463 square miles in Texas

Principal Cities (including 2010 population ranges):

100,000 — 500,000 Amarillo, Wichita Falls

Burkburnett, Canyon, Denison, Gainesville, Hereford, Pampa, Paris, Plainview, Sherman, Texarkana,

Vernon

Principal Tributaries: North Fork, Salt Fork, and Prairie Dog Town Fork of the Red River,

50,000

Pease River, and Wichita River

Principal Aquifers: Ogallala, Seymour, Trinity, Carrizo-Wilcox, Blaine-Gypsum, Woodbine,

Blossom Sand, Nacatoch Sand

Regional Economies: Oil and gas production, agriculture, ranching, manufacturing, and

tourism

10,000

Major Lakes and Reservoirs: There are 32 significant reservoirs which occupy 138,144 surface acres

and contain 3,543,863 acre-feet. Refer to Exhibit D-12.

Major Eco-Regions: High Plains, North-Central Plains, Coastal Plains

General Topography: Nearly level tablelands in west through rugged canyons and ridges to

rolling plain, prairie, and woods in the east

Wastewater Discharge: There are 111 wastewater discharge permits within the watershed with a

total discharge of 235.9 MGD.

Average Annual Rainfall: 15 inches near the Texas-New Mexico border to 48 inches near the

Texas-Arkansas border. The average runoff in the watershed is about

159 acre-feet per square mile of contributing drainage area.

Sources of Information: United States Geological Survey, United States Census Bureau, Texas Water Development Board, Texas Natural Resource Information System, Texas Commission on Environmental Quality, National Weather Service

#### POPULATION DATA (Unaudited)

						Population		
County Name	Region	ID	Square Miles	1970	1980	1990	2000	2010
Archer	3	.5	903	5,759	7,266	7,973	8,854	9,054
Armstrong	1	6	909	1,895	1,994	2,021	2,148	1,901
Baylor	3	12	868	5,221	4,919	4,385	4,093	3,726
Bowie	5	19	885	68,909	75,301	81,665	89,306	92,565
Briscoe	1	23	900	2,794	2,579	1,971	1,790	1,637
Carson	1	33	920	6,358	6,672	6,576	6,516	6,182
Castro	1	35	894	10,394	10,556	9,070	8,285	8,062
* Childress	1	38	696	6,605	6,950	5,953	7,688	7,041
* Clay	3	39	1,089	8,079	9,582	10,024	11,006	10,752
* Collingsworth	1	44	918	4,755	4,648	3,573	3,206	3,057
Cooke	4	49	875	23,471	27,656	30,777	36,363	38,437
* Cottle	3	51	901	3,204	2,947	2,247	1,904	1,505
Crosby	2	54	900	9,085	8,859	7,304	7,072	6,059
Deaf Smith	1	59	1,497			19,153	18,561	19,372
		63		18,999	21,165			2,444
* Dickens	2		902	3,737	3,539	2,571	2,762	
* Donley	1	65	927	3,641	4,075	3,696	3,828	3,677
Fannin	4	74	891	22,705	24,285	24,804	31,242	33,915
Floyd	2	77	992	11,044	9,834	8,497	7,771	6,446
* Foard	3	78	704	2,211	2,158	1,794	1,622	1,336
Gray	1	90	926	26,949	26,386	23,967	22,744	22,535
* Grayson	4	91	933	83,225	89,796	95,021	110,595	120,877
Hale	2	95	1,005	34,137	37,592	34,671	36,602	36,273
* Hall	1	96	883	6,015	5,594	3,905	3,782	3,353
* Hardeman	3	99	695	6,795	6,368	5,283	4,724	4,139
Hartley	1	103	1,462	2,782	3,987	3,634	5,537	6,062
Hemphill	1	106	906	3,084	5,304	3,720	3,351	3,807
Hutchinson	-1	117	887	24,443	26,304	25,689	23,857	22,150
* King	2	135	911	464	425	354	356	286
* Knox	3	138	851	5,972	5,329	4,837	4,253	3,719
Lamar	5	139	907	36,062	42,156	43,949	48,499	49,793
Lipscomb	1	148	932	3,486	3,766	3,143	3,057	3,302
* Montague	3	169	931	15,326	17,410	17,274	19,117	19,719
Motley	2	173	990	2,178	1,950	1,532	1,426	1,210
Oldham	1.	180	1,501	2,258	2,283	2,278	2,185	2,052
Parmer	1	185	881	10,509	11,038	9,863	10,016	10,269
Potter	1	188	908	90,511	98,637	97,874	113,546	121,073
Randall	1	191	912	53,885	75,062	89,673	104,312	120,725
Red River	5	194	1,037	14,298	16,101	14,317	14,314	12,860
Roberts	1	197	927	967	1,187	1,025	887	929
Swisher	1	219	890	10,373	9,723	8,133	8,378	7,854
Wheeler	1	242	915	6,434	7,137	5,879	5,284	5,410
Wichita	3	243	628	120,563	121,082	122,378	131,664	131,500
* Wilbarger	3	244	971	15,355	15,931	15,121	14,676	13,535
Totals for Counti	es in Basin		40,360	794,937	865,533	867,574	947,179	980,600
* Utility Division S			12,312	165,384	174,752	171,653	189,519	195,440

Source of Information: United States Census Bureau

#### SIGNIFICANT RESERVOIRS IN THE RED RIVER BASIN September 30, 2018 (Unaudited)

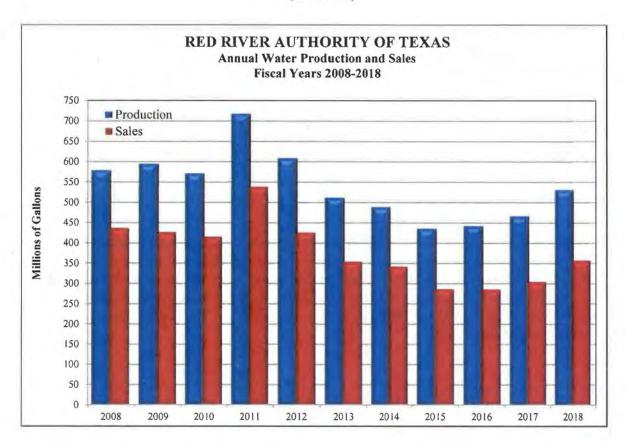
		Elevation	Surface	Capacity	Diversion	Type
Reservoir Name	County	Ft AMSL	Acres	Acre-Feet	ACF/YR	Uses
Archer City Lake	Archer	1,023	90	396	2,500	M/R
Lake Kickapoo	Archer	1,045	5,864	86,345	40,000	M
Scotland Lake	Archer	934	70	364		R
Lake Cooper	Archer	1,155	432	4,546	810	M/R
Lake Diversion	Archer/Baylor	1,052	3,397	35,324	1.0	M/I/F/R/Ir/Mi
Lake Kemp	Baylor	1,144	15,357	245,434	9	M/Ir/F
Mackenzie Reservoir	Briscoe/Swisher	3,100	910	47,151	5,200	M/I
Baylor Lake	Childress	1,820	610	9,220		M/R
Lake Arrowhead	Clay/Archer	926	14,506	230,359	45,000	M/R
Hubert H. Moss Lake	Cooke	715	1,140	24,155	7,000	M/I
Greenbelt Reservoir	Donley	2,664	1,990	59,800	- 6	M/I/Mi
Lake Bonham	Fannin	565	1,012	11,038	5,340	M/R
Coffee Mill Lake	Fannin	496	650	8,000	-	R
Lake Crocket	Fannin	502	375	3,900	1.(2)	R
Valley Lake	Fannin/Grayson	611	1,080	16,400	4	P
Lake McClellan	Grayson	2,291	550	5,000	-	R
Randell Lake	Grayson	622	311	5,900		M
Lake Texoma	Grayson/Cooke	640	74,686	2,516,232	17	P/F/M/R
Lake Pauline	Hardeman	1,486	640	5,000	275	P
Lake Crook	Lamar	476	1,060	9,210	12,000	M
Pat Mayse Reservoir	Lamar	451	5,638	117,844	61,610	M/F/I/R
Lake Nocona	Montague	828	1,362	21,749	1,080	M/I/Mi
Bivins Lake	Randall	3,635	379	5,120		M
Buffalo Lake	Randall	3,643	1,900	18,150	25	R
Palo Duro Club Lake	Randall	3,450	60	460	460	R
Lake Tanglewood	Randall	3,388	191	4,897	4,897	R
North Fork Buffalo Creek	Wichita	1,048	1,500	15,400		M/R
Lake Iowa Park	Wichita	1,036	355	2,565	500	M
Lake Wichita	Wichita/Archer	981	2,200	14,000	- 2	Ir/F
Santa Rosa Lake	Wilbarger	1,167	1,500	11,570	- 6	Ir
Lake Electra	Wilbarger	1,111	660	8,730	600	M/F
Total Reservoirs: 32			140,385	3,543,863	184,772	

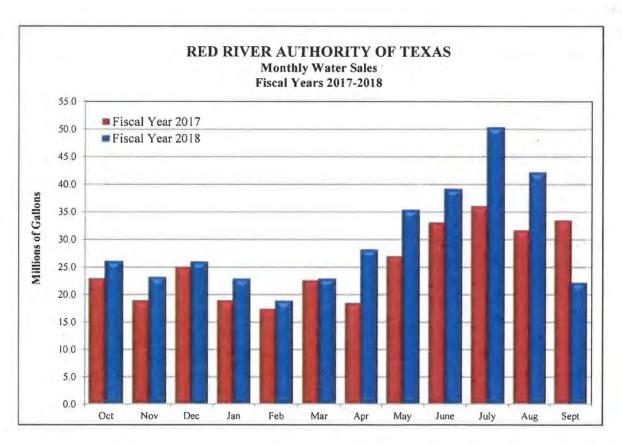
M = Municipal I = Industrial Ir = Irrigation R = Recreation P = Power F = Flood Control Mi = Mining

Source of Information: Texas Water Development Board



### Red River Authority of Texas Water Sales Trend Analysis (Unaudited)





### RED RIVER AUTHORITY OF TEXAS ENVIRONMENTAL SERVICES DIVISION RED RIVER CHLORIDE CONTROL PROJECT AREA VIII

(Unaudited)

**PROJECT DESCRIPTION:** Brine is collected at the low flow collection dam on the South Fork Wichita River and pumped via a pipeline to a brine storage and evaporation reservoir near Truscott, Texas.

AUTHORITY: Flood Control Acts of 1966 and 1970 and the Water Resources Development Act of 1976. Construction of Area VIII authorized by Water Resources Development Act of 1974.

**COST:** \$51,500,000

<u>CURRENT STATUS</u>: The Truscott Brine Reservoir was completed and placed in service on May 16, 1987. The reservoir is currently receiving brine for disposal that is diverted from the Bateman Pump Station (Area VIII) located on the South Fork of the Wichita River in King County. The Alexander Pump Station (Area X) located on the Middle Fork of the Wichita River in Cottle County is physically complete but not yet in service. The pump station will transmit brine to the Truscott Reservoir also.

#### TECHNICAL DESCRIPTION

#### TRUSCOTT BRINE RESERVOIR

Location: 2 miles northwest of Truscott in Knox County, TX on Bluff Creek

Dam Length: 14,800 feet

Dam Height: 100 feet above stream bed

Surface Area: Brine storage pool = 2,980 acres

Flood control pool = 3,090 acres

Total Capacity: 116,200 acre-feet

#### **BATEMAN PUMP STATION**

Location: River mile 74.9 of the South Fork Wichita River in King County,

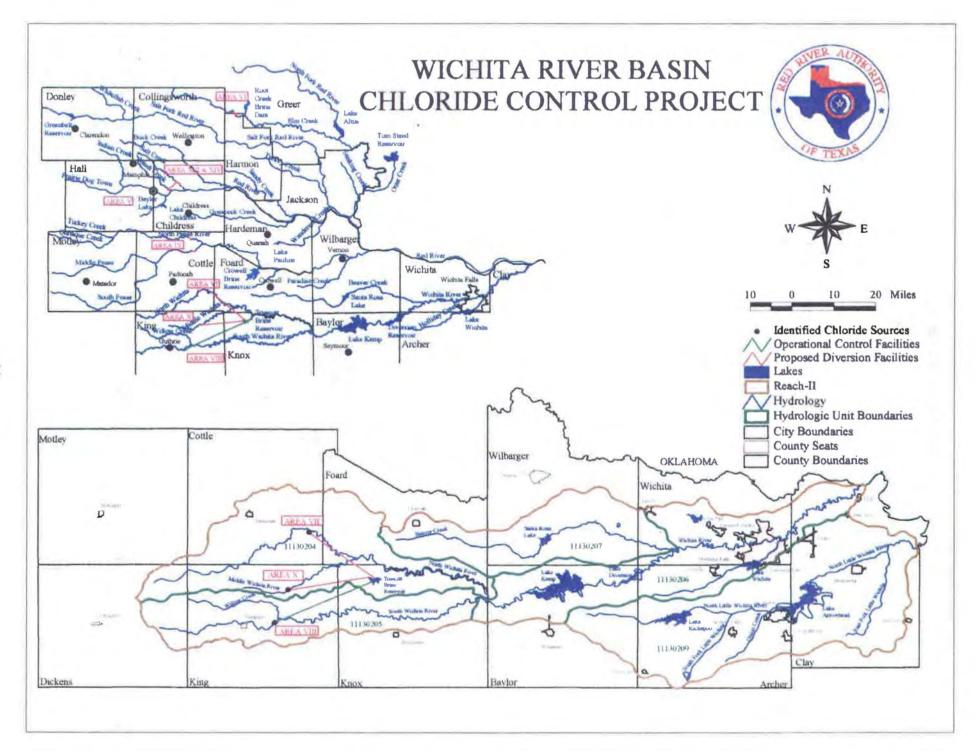
Texas

Type of Dam: Pneumatic (Inflatable)

Dam Length: 40 feet Dam Height: 5 feet

Surface Area: 3 acres with the dam inflated





#### INSURANCE COVERAGE

### Texas Municipal League Intergovernmental Risk Pool September 30, 2018

(Unaudited)

Policy:

Workers Compensation 10-01-17 to 09-30-18

Policy Period: Perils:

Policy Period:

Losses under Workers' Compensation Laws

Coverage:

Statutory

Premium:

\$22,625

Policy:

General Liability 10-01-17 to 09-30-18

Perils:

Bodily injury, property damage, advertising injury,

completed operations, and products hazard

Coverage:

\$1,000,000 per occurrence and annual aggregate

Premium:

\$2,255

Policy:

Automobile Liability 10-01-17 to 09-30-18

Policy Period: Perils:

Liability

Coverage:

\$1,000,000 per occurrence

Premium:

\$4,034

Policy:

Errors and Omissions Liability

Policy Period:

10-01-17 to 09-30-18

Perils:

Liability, errors, and omissions

Coverage:

\$1,000,000 per claim and annual aggregate

Premium:

\$2,500

Policy:

Property Coverage 10-01-17 to 09-30-18

Policy Period: Perils:

Risk of direct physical loss of or damage to property

Coverage:

Replacement cost limited to \$8,361,522 – real and personal property, replacement cost limited to \$52,195, mobile

equipment coverage - \$856, boiler and machinery

comprehensive - \$8,361,522

Premium:

\$30,469

Policy:

Automobile Physical Damage Coverage

Policy Period:

10-01-17 to 09-30-18 Physical damage

Perils: Coverage:

Actual cash value

Premium:

\$4,515

Policy:

Crime Policy

Policy Period:

10-01-17 to 09-30-18

Perils: Coverage: Public employee dishonesty and forgery or alteration \$200,000 per employee – Public Employee Dishonesty

\$100,000 - Forgery or Alteration

Premium:

\$969

### OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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CE 41 Wi

4110 KELL BLVD., SECOND FLOOR • P.O. Box 750 WICHITA FALLS, TEXAS 76307-0750 Ph. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA DAVID L. PARKMAN, CPA A. PAUL FLEMING, CPA

#### Independent Auditor's Report

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 Red River Authority of Texas

Members of the Board of Directors:

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 Red River Authority of Texas (Authority) as of and for the year ended September 30, 2018, and the related notes to the financial statements and have issued our report thereon dated January 8, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

January 8, 2019