

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**



**for the years ended September 30, 2018 and 2017**





# **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



**RED RIVER AUTHORITY OF TEXAS**

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

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## **INTRODUCTORY SECTION**



ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF WICHITA §

I, Jerry Bob Daniel, President  
(Name of Duly Authorized District Representative)

of the Red River Authority of Texas  
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 16th day of January, 2019 its annual audit report for the fiscal period ended September 30, 2018 and that copies of the annual audit report have been filed in the District's office, located at 3000 Hammon Road, Wichita Falls, Texas 76310.

This filing affidavit and the attached copy of the annual audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: January 16, 2019

Jerry Bob Daniel  
(Signature of District Representative)

Jerry Bob Daniel, President  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 16th day of January, 2019.

(Seal)



Danna P. Bales  
(Signature of Notary)

My Commission Expires on: 08-29-2019  
Notary Public in and for the State of Texas.





# RED RIVER AUTHORITY OF TEXAS

## 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
<b>Board Members:</b>				
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

**RED RIVER AUTHORITY OF TEXAS**

**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
<b>Key Administrative Personnel:</b>			
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
<b>Engineering Consultants:</b>			
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		0	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
<b>Legal Consultants:</b>			
Todd Davenport Sherrill and Gibson, PLLC 3711 Maplewood Avenue Suite 200 Wichita Falls, Texas 76308		20,061	General Counsel

**RED RIVER AUTHORITY OF TEXAS**

**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
<b>Legal Consultants, Continued</b>			
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 M <sup>c</sup> Call, Parkhurst and Horton 717 N Harwood, Suite 900 Dallas, Texas 75201		0	Bond Counsel
<b>Financial Consultants:</b>			
David Medanich Hilltop Securities 777 Main Street, Suite 1200 Fort Worth, Texas 76102		0	Financial Advisor
<b>Advisory Consultants:</b>			
Curtis W. Campbell 903 East Wichita Street Henrietta, Texas 76365		4,100	Consultant
<b>Depositories:</b>			
American National Bank P. O. Box 4476 Wichita Falls, Texas 76308			
TexPool – Comptroller of Public Accounts P. O. Box 12608 Austin, Texas 78711			

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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**

*Christopher P. Morrill*

Executive Director/CEO







# Red River Authority of Texas

JERRY BOB DANIEL, President, Truscott  
TODD W. BOYKIN, Vice President, Amarillo  
PENNY C. CARPENTER, Secretary-Treasurer, Silvertown  
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.



## 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.

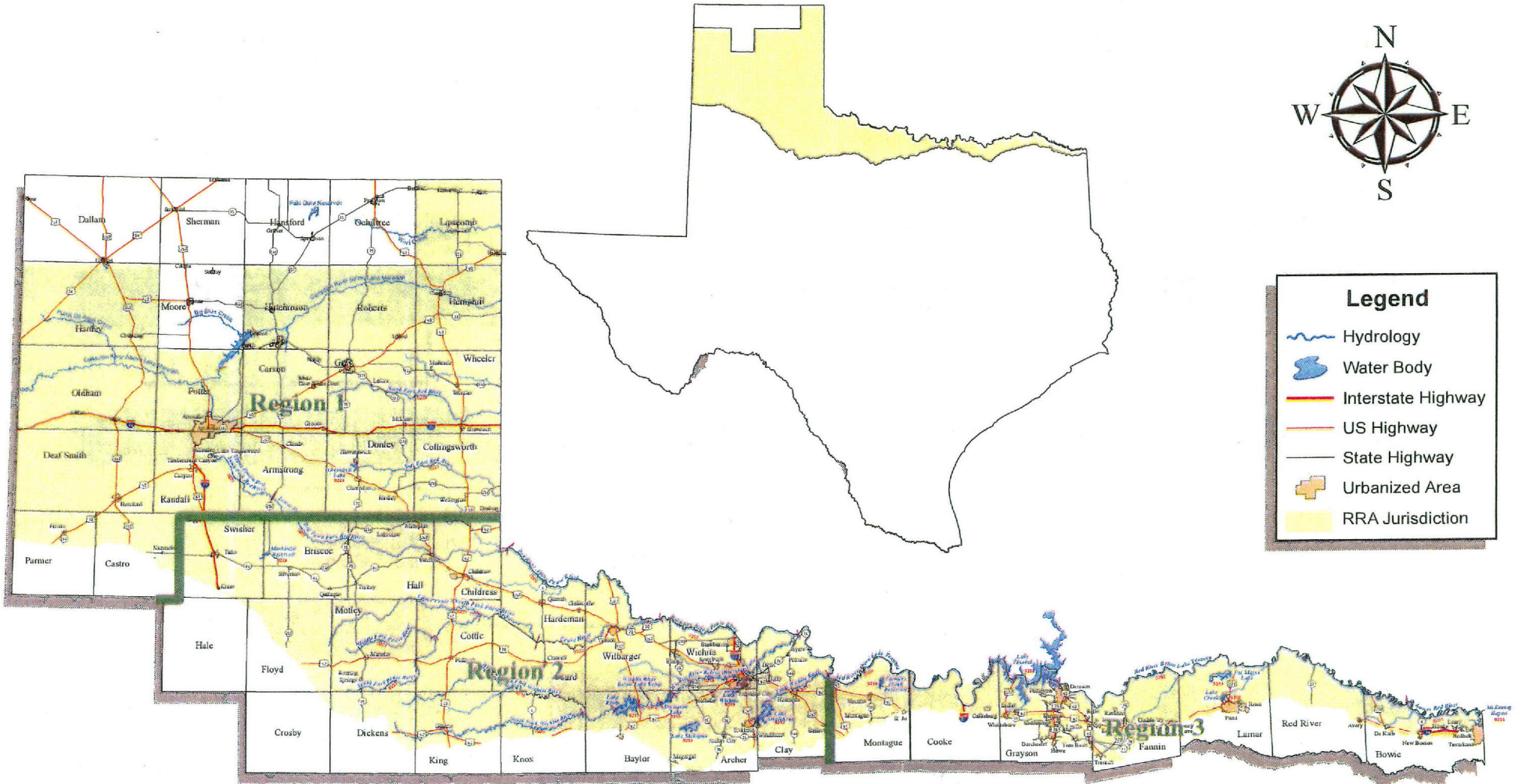
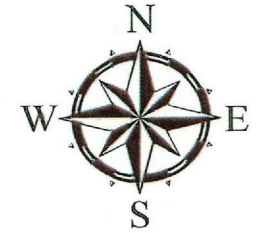
## ADMINISTRATION

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 Jurisdictional Map







# Red River Authority of Texas Organizational Chart

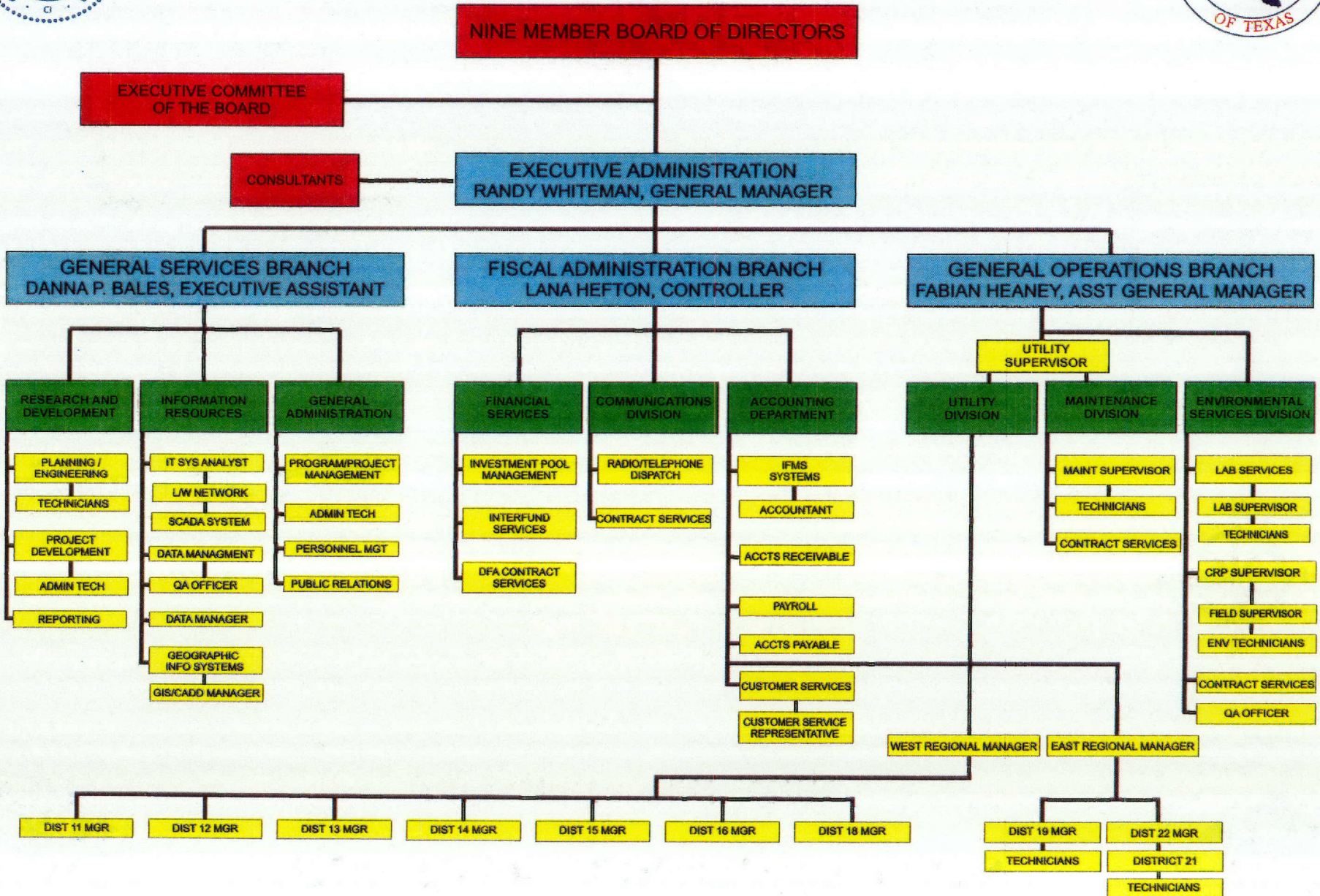


Chart 1



## **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.

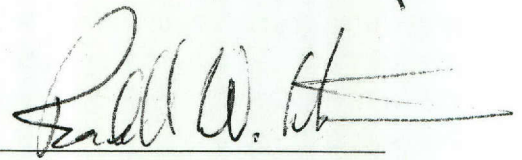
**ACKNOWLEDGEMENTS**

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

## **FINANCIAL SECTION**







# **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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*

Edgin, Parkman, Fleming & Fleming, PC

January 8, 2019



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**





## 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**

1. 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;
3. 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;
4. 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>			
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
<b>Total assets</b>	<u>34,042,264</u>	<u>32,674,016</u>	<u>16,318,240</u>
 <b>Deferred outflows of resources</b>	 <u>189,261</u>	 <u>634,098</u>	 <u>779,628</u>
 <b>Liabilities:</b>			
Current liabilities	951,612	684,730	291,616
Noncurrent liabilities	15,366,704	15,655,074	790,853
<b>Total liabilities</b>	<u>16,318,316</u>	<u>16,339,804</u>	<u>1,082,469</u>
 <b>Deferred inflows of resources</b>	 <u>142,461</u>	 <u>101,362</u>	 <u>-</u>
 <b>Net position:</b>			
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
<b>Total net position</b>	<u>\$17,770,748</u>	<u>\$16,866,948</u>	<u>\$16,015,399</u>

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**, Continued

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

	2018	2017	2016
<b>Operating revenues:</b>			
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	<u>6,428,979</u>	<u>6,174,614</u>	<u>5,081,822</u>
<b>Operating expenses:</b>			
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	<u>4,579,323</u>	<u>4,569,506</u>	<u>4,050,352</u>
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	<u>1,144,382</u>	<u>905,875</u>	<u>338,438</u>
<b>Nonoperating revenues (expenses):</b>			
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)	<u>(188,537)</u>	<u>(54,326)</u>	<u>18,229</u>
Change in net position	<u>955,845</u>	<u>851,549</u>	<u>356,667</u>
Net position, beginning, as originally stated	16,866,948	16,015,399	15,658,732
Prior period adjustment (GASB 75)	<u>(52,045)</u>	<u>-</u>	<u>-</u>
Net position, beginning, as restated	<u>16,814,903</u>	<u>16,015,399</u>	<u>15,658,732</u>
Net position, ending	<u>\$17,770,748</u>	<u>\$16,866,948</u>	<u>\$16,015,399</u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

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	-	-	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	<u>\$ 22,163,857</u>	<u>\$ 3,293,933</u>	<u>\$ 752,946</u>	<u>\$ 24,704,844</u>	<u>\$ 14,548,646</u>	<u>\$ 10,156,198</u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS**, Continued

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:

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

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](mailto:info@rra.texas.gov).

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## **BASIC FINANCIAL STATEMENTS**



**RED RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF NET POSITION**  
September 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$ 8,955,616	\$ 8,309,730
Receivables:		
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	<u>23,017,061</u>	<u>24,643,253</u>
<b>Long-term assets:</b>		
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	<u>11,025,203</u>	<u>8,030,763</u>
Total assets	<u>34,042,264</u>	<u>32,674,016</u>
<b>Deferred outflows of resources:</b>		
Pension related	185,490	634,098
OPEB related	3,771	-
Total deferred outflows of resources	<u>189,261</u>	<u>634,098</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
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	459,800
Total current liabilities	<u>951,612</u>	<u>684,730</u>
<b>Long-term liabilities:</b>		
Bonds payable, less current maturities	14,925,634	15,266,767
Unamortized bond premium	187,762	195,926
Total OPEB liability	59,027	-
Deposits	194,281	192,381
Total long-term liabilities	<u>15,366,704</u>	<u>15,655,074</u>
Total liabilities	<u>16,318,316</u>	<u>16,339,804</u>
<b>Deferred inflows of resources:</b>		
Pension related	142,461	101,362
<b>Net position:</b>		
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
Total net position	<u>\$ 17,770,748</u>	<u>\$ 16,866,948</u>

The accompanying notes are an integral part of this statement.

**RED RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
for the years ended September 30, 2018 and 2017

	2018	2017
<b>Operating revenues:</b>		
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	<u>6,428,979</u>	<u>6,174,614</u>
<b>Operating expenses:</b>		
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	<u>4,579,323</u>	<u>4,569,506</u>
Operating income before depreciation and amortization	1,849,656	1,605,108
Depreciation and amortization	<u>(705,274)</u>	<u>(699,233)</u>
Operating income	<u>1,144,382</u>	<u>905,875</u>
<b>Nonoperating revenues (expenses):</b>		
Interest income	316,142	97,697
Gain on disposal of assets	35,007	100
Interest expense	<u>(539,686)</u>	<u>(152,123)</u>
Total nonoperating revenues (expenses)	<u>(188,537)</u>	<u>(54,326)</u>
Change in net position	<u>955,845</u>	<u>851,549</u>
Net position, beginning, as originally stated	16,866,948	16,015,399
Prior period adjustment	<u>(52,045)</u>	<u>-</u>
Net position, beginning, as restated	<u>16,814,903</u>	<u>16,015,399</u>
Net position, ending	<u>\$ 17,770,748</u>	<u>\$ 16,866,948</u>

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
<b>Cash flows from operating activities:</b>		
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	<u>2,162,784</u>	<u>1,495,751</u>
<b>Cash flows from capital and related financing activities:</b>		
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	<u>(4,205,423)</u>	<u>14,899,909</u>
<b>Cash flows from investing activities:</b>		
Interest received on investments	316,142	97,697
Net cash provided by investing activities	<u>316,142</u>	<u>97,697</u>
Net increase (decrease) in cash and cash equivalents	(1,726,497)	16,493,357
Cash and cash equivalents, beginning	<u>23,493,557</u>	<u>7,000,200</u>
Cash and cash equivalents, ending	<u>\$ 21,767,060</u>	<u>\$ 23,493,557</u>
Displayed as:		
Current Assets:		
Cash and short-term investments	\$ 8,955,616	\$ 8,309,730
Restricted Assets:		
Cash and short-term investments	<u>12,811,444</u>	<u>15,183,827</u>
	<u>\$ 21,767,060</u>	<u>\$ 23,493,557</u>

The accompanying notes are an integral part of this statement.



**RED RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS, Continued**  
for the years ended September 30, 2018 and 2017

	2018	2017
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
<b>Operating income</b>	<u>\$ 1,144,382</u>	<u>\$ 905,875</u>
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>		
Depreciation and amortization	705,274	699,233
Change in assets and liabilities:		
(Increase) decrease in trade receivables	(100,650)	(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	(462,900)	34,487
(Increase) decrease in deferred outflows	444,837	-
Increase (decrease) in trade accounts payable	377,545	(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	41,099	101,362
Total adjustments	<u>1,018,402</u>	<u>589,876</u>
Net cash provided (used) by operating activities	<u>\$ 2,162,784</u>	<u>\$ 1,495,751</u>

The accompanying notes are an integral part of this statement.

# RED RIVER AUTHORITY OF TEXAS

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

### 1. 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.



## RED RIVER AUTHORITY OF TEXAS

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

#### 1. 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.



## RED RIVER AUTHORITY OF TEXAS

### 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.



# RED RIVER AUTHORITY OF TEXAS

## 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 TCERS.

#### 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**.



## RED RIVER AUTHORITY OF TEXAS

### 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.



## RED RIVER AUTHORITY OF TEXAS

### 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.



## RED RIVER AUTHORITY OF TEXAS

### 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.



**RED RIVER AUTHORITY OF TEXAS**

**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:

Investment or Investment Type	2018		2017	
	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
		<u>\$ 21,583,202</u>		<u>\$ 23,320,258</u>

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:

Credit Risk – 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.

Custodial Credit Risk – 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.



## RED RIVER AUTHORITY OF TEXAS

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

#### 2. 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.

Concentration of Credit Risk – 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.

Interest Rate Risk – 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.

Foreign Currency Risk – 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

**RED RIVER AUTHORITY OF TEXAS**

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

2. 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](http://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:				
Land and easements	\$ 359,441	\$ 100,000	\$ -	\$ 459,441
Construction in progress	<u>253,008</u>	<u>2,871,090</u>	<u>56,155</u>	<u>3,067,943</u>
Total capital assets not being depreciated	<u>612,449</u>	<u>2,971,090</u>	<u>56,155</u>	<u>3,527,384</u>
Capital assets being depreciated:				
Water storage rights	1,222,700	-	-	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	<u>626,177</u>	<u>198,437</u>	<u>182,270</u>	<u>642,344</u>
Total capital assets being depreciated	<u>21,551,408</u>	<u>322,843</u>	<u>696,791</u>	<u>21,177,460</u>
Less accumulated depreciation for:				
Water storage rights	257,159	7,471	-	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	<u>475,236</u>	<u>105,679</u>	<u>177,205</u>	<u>403,710</u>
Total accumulated depreciation	<u>14,539,199</u>	<u>689,869</u>	<u>680,422</u>	<u>14,548,646</u>
Total capital assets being depreciated, net	<u>7,012,209</u>	( 367,026)	<u>16,369</u>	<u>6,628,814</u>
Total capital assets, net	<u>\$ 7,624,658</u>	<u>\$2,604,064</u>	<u>\$ 72,524</u>	<u>\$10,156,198</u>



**RED RIVER AUTHORITY OF TEXAS**

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

3. CAPITAL ASSETS, Continued

At September 30, 2017

	<u>Balance</u> <u>October 1,</u> <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2017</u>
Capital assets not being depreciated:				
Land and easements	\$ 359,440	\$ -	\$ -	\$ 359,440
Construction in progress	<u>81,603</u>	<u>198,315</u>	<u>26,910</u>	<u>253,008</u>
Total capital assets not being depreciated	<u>441,043</u>	<u>198,315</u>	<u>26,910</u>	<u>612,448</u>
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	<u>592,869</u>	<u>33,307</u>	<u>-</u>	<u>626,176</u>
Total capital assets being depreciated	<u>21,489,058</u>	<u>63,621</u>	<u>1,270</u>	<u>21,551,409</u>
Less accumulated depreciation for:				
Water storage rights	249,688	7,470	-	257,158
Water systems	11,682,007	499,669	-	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	<u>384,417</u>	<u>90,818</u>	<u>-</u>	<u>475,235</u>
Total accumulated depreciation	<u>13,841,237</u>	<u>699,232</u>	<u>1,270</u>	<u>14,539,199</u>
Total capital assets being depreciated, net	<u>7,647,821</u>	<u>(635,611)</u>	<u>-</u>	<u>7,012,210</u>
Total capital assets, net	<u>\$ 8,088,864</u>	<u>\$(437,296)</u>	<u>\$ 26,910</u>	<u>\$ 7,624,658</u>

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

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



**RED RIVER AUTHORITY OF TEXAS**

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

4. LONG-TERM DEBT, Continued

At September 30, 2017

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

Water Revenue Bonds

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

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

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 1/12<sup>th</sup> 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.

**RED RIVER AUTHORITY OF TEXAS**

**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 September 30,	Bond	
	Principal	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	<u>3,025,000</u>	<u>288,938</u>
Totals	<u>\$15,266,601</u>	<u>\$9,387,585</u>

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.

5. 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	<u>\$63,300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$63,300,000</u>



**RED RIVER AUTHORITY OF TEXAS**

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

5. 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
<u>Pollution Control Revenue Bonds</u> –					
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				<u>\$63,300,000</u>	<u>\$63,300,000</u>

\* 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,



## RED RIVER AUTHORITY OF TEXAS

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

#### 6. 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 the nation. 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.



**RED RIVER AUTHORITY OF TEXAS**

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

7. 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

<u>Members</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>
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) Receiving Benefits		
Number of benefit recipients:	12	14
Average monthly benefit:	\$1,725	\$1,598

\* Averages reported for all active employees. Average service includes all proportionate service.

**RED RIVER AUTHORITY OF TEXAS**

**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)	<u>103,611</u>
 Total contributions	 <u><u>\$207,222</u></u>

Net Pension Liability / (Asset)

<u>Net Pension Liability / (Asset)</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>
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		
Pension Liability	105.77%	111.52%
Pensionable Covered Payroll <sup>(1)</sup>	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.



**RED RIVER AUTHORITY OF TEXAS**

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

7. DEFINED BENEFIT PENSION PLAN, continued

Discount Rate

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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)
Cost-of-Living Adjustments	Cost-of-living adjustments are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-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.

# RED RIVER AUTHORITY OF TEXAS

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

### 7. 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.



## RED RIVER AUTHORITY OF TEXAS

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

#### 7. 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.

## RED RIVER AUTHORITY OF TEXAS

### 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.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u> <sup>(1)</sup>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u> <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	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.



## RED RIVER AUTHORITY OF TEXAS

### 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:

1. 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 long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. 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.

## RED RIVER AUTHORITY OF TEXAS

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

#### 7. DEFINED BENEFIT PENSION PLAN, *continued*

1. 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.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. 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.
4. 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").



**RED RIVER AUTHORITY OF TEXAS**

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

7. DEFINED BENEFIT PENSION PLAN, continued

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(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 <sup>(1)</sup>	571,650	-	571,650
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	55,906	-	55,906
Effect of assumption changes or inputs	24,458	-	24,458
Refund of contributions	( 61,410)	( 61,410)	-
Benefit payments	( 257,970)	( 257,970)	-
Administrative expenses	-	( 5,597)	5,597
Member contributions	-	103,611	( 103,611)
Net investment income	-	1,085,548	( 1,085,548)
Employer contributions	-	103,611	( 103,611)
Other <sup>(3)</sup>	-	( 1,556)	1,556
Balances as of December 31, 2017	<u>\$7,546,627</u>	<u>\$8,415,632</u>	<u>(\$869,005)</u>

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

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

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

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

**RED RIVER AUTHORITY OF TEXAS**

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

7. DEFINED BENEFIT PENSION PLAN, continued

Pension Expense / (Income)

	<u>January 1, 2017 to December 31, 2017</u>
Service cost	\$170,704
Interest on total pension liability <sup>(1)</sup>	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 <sup>(2)</sup>	<u>1,556</u>
 Pension expense	 <u>\$132,287</u>

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

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

Deferred Outflows / Inflows of Resources

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

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

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:

<u>Year Ended December 31:</u>	
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.



**RED RIVER AUTHORITY OF TEXAS**

**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:

1. 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.

**RED RIVER AUTHORITY OF TEXAS**

**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

<u>Members</u>	<u>12/31/16</u>	<u>12/31/17</u>
Number of inactive employees entitled to but not yet receiving benefits <sup>(1)</sup>	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
 <u>Inactive Employees Receiving Benefits <sup>(1)</sup></u>		
Number of benefit recipients <sup>(1)</sup>	9	11

<sup>(1)</sup> "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	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply



**RED RIVER AUTHORITY OF TEXAS**

**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.

**RED RIVER AUTHORITY OF TEXAS**

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

8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

D. Changes in Total OPEB Liability

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

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

*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	Current Discount Rate	1% Increase
	<u>2.44%</u>	<u>3.44%</u>	<u>4.44%</u>
Total OPEB liability	<u>\$70,889</u>	<u>\$59,027</u>	<u>\$49,730</u>



**RED RIVER AUTHORITY OF TEXAS**

**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.

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

F. OPEB Expense

	<u>January 1, 2017 to December 31, 2017</u>
Service cost	\$ 1,350
Interest on total pension liability <sup>(1)</sup>	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 <sup>(2)</sup>	<u>-</u>
 OPEB expense	 <u>\$3,899</u>

<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:

**RED RIVER AUTHORITY OF TEXAS**

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

8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN, Continued

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

<u>Year Ended December 31:</u>	
2018	\$514
2019	514
2020	514
2021	514
2022	514
Thereafter	514

9. 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.



**RED RIVER AUTHORITY OF TEXAS**

**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
<b>Condensed Statement of Net Position</b>			
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	<u>23,374,305</u>	<u>235,521</u>	<u>43,125</u>
Liabilities:			
Current liabilities	872,593	110,832	875
Noncurrent liabilities	15,683,654	-	-
Total liabilities	<u>16,556,247</u>	<u>110,832</u>	<u>875</u>
Net position:			
Net investment in capital assets	5,559,794	75,493	-
Restricted net position	159,829	-	-
Unrestricted net position	<u>1,098,435</u>	<u>49,196</u>	<u>42,250</u>
Total net position	<u>\$ 6,818,058</u>	<u>\$124,689</u>	<u>\$42,250</u>
<b>Condensed Statement of Revenue, Expenses, and Changes in Net Position</b>			
Operating revenues	\$ 5,546,077	\$827,827	\$ 3,500
Operating expense	4,512,432	919,296	165
Operating income (loss)	<u>1,033,645</u>	<u>( 91,469)</u>	<u>3,335</u>
Nonoperating revenues (expenses)	<u>( 317,756)</u>	<u>108</u>	<u>165</u>
Change in net position	715,889	( 91,361)	3,500
Beginning net position	<u>6,102,169</u>	<u>216,050</u>	<u>38,750</u>
Ending net position	<u>\$ 6,818,058</u>	<u>\$124,689</u>	<u>\$42,250</u>

**RED RIVER AUTHORITY OF TEXAS**

**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
<b>Condensed Statement of Cash Flows</b>			
Operating activities	\$ 1,771,654	(\$ 13,605)	\$ -
Capital and related financing activities	( 3,958,537)	( 13,719)	-
Investing activities	261,416	108	-
Net increase (decrease)	( 1,925,467)	( 27,216)	-
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.



**RED RIVER AUTHORITY OF TEXAS**

**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	<u>\$16,814,903</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

RED RIVER AUTHORITY OF TEXAS

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

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$ 170,704	\$ 189,043	\$ 177,653	\$ 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)	-	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
Net 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
Total 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
Total pension liability, ending (a)	<u>\$ 7,546,627</u>	<u>\$ 7,043,291</u>	<u>\$ 6,708,505</u>	<u>\$ 6,176,139</u>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 103,611	\$ 99,671	\$ 99,794	\$ 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
Net 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
Fiduciary 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
Fiduciary net position, ending (b)	<u>\$ 8,415,632</u>	<u>\$ 7,449,396</u>	<u>\$ 7,003,566</u>	<u>\$ 7,098,339</u>	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (869,005)</u>	<u>\$ (406,105)</u>	<u>\$ (295,062)</u>	<u>\$ (922,200)</u>	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	<u>111.52%</u>	<u>105.77%</u>	<u>104.40%</u>	<u>114.93%</u>	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	<u>\$ 1,480,157</u>	<u>\$ 1,423,868</u>	<u>\$ 1,425,630</u>	<u>\$ 1,372,634</u>	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	<u>-58.71%</u>	<u>-28.52%</u>	<u>-20.70%</u>	<u>-67.18%</u>	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.



**RED RIVER AUTHORITY OF TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

Year Ending December 31	Actuarially Determined Contribution <sup>(1)</sup>	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
2008	\$ 77,701	\$ 77,701	\$ -	\$ 1,110,014	7.0%
2009	85,526	85,526	-	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.

RED RIVER AUTHORITY OF TEXAS

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

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$ 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
Net 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
Total pension liability, beginning	52,933	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 59,027</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Pensionable covered payroll	<u>\$ 1,480,157</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>3.99%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*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.*



# RED RIVER AUTHORITY OF TEXAS

## 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 SUPPLEMENTARY INFORMATION**

**RED RIVER AUTHORITY OF TEXAS**  
**COMBINING SCHEDULE OF NET POSITION**  
**September 30, 2018**

	<b>Enterprise Funds</b>			
	<b>Utility Division Fund</b>	<b>Environmental Services Division Fund</b>	<b>Direct Financing Arrangements Fund</b>	<b>Industrial Development Authority Fund</b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and short-term investments	\$ 776,918	\$ -	\$ -	\$ -
Receivables:				
Trade and contracts	917,617	160,028	4,375	-
Due from other funds	-	-	-	-
Interfund loans	-	-	-	-
Prepaid expenses	42,262	-	-	-
Inventory	-	-	-	-
Restricted assets:				
Cash and short-term investments	12,772,694	-	-	38,750
Total current assets	<u>14,509,491</u>	<u>160,028</u>	<u>4,375</u>	<u>38,750</u>
<b>Long-term assets:</b>				
Interfund loans, less current portion	-	-	-	-
Net pension assets	-	-	-	-
Capital assets not being depreciated	3,239,741	-	-	-
Capital assets being depreciated (net)	5,625,073	75,493	-	-
Total long-term assets	<u>8,864,814</u>	<u>75,493</u>	<u>-</u>	<u>-</u>
Total assets	<u>23,374,305</u>	<u>235,521</u>	<u>4,375</u>	<u>38,750</u>
<b>Deferred outflows of resources:</b>				
Pension and OPEB related	-	-	-	-
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Bank overdraft	-	41,674	-	-
Accounts payable - trade	411,405	63,561	-	-
Interest Payable	4,200	-	-	-
Due to other Authority funds	-	-	875	-
Accrued payroll and related taxes	21,502	5,597	-	-
Unearned revenue	6,974	-	-	-
Interfund loans payable, current maturities	87,545	-	-	-
Bonds payable, current maturities	340,967	-	-	-
Total current liabilities	<u>872,593</u>	<u>110,832</u>	<u>875</u>	<u>-</u>
<b>Long-term liabilities:</b>				
Interfund loans payable, less current maturities	375,977	-	-	-
Bonds payable, less current maturities	14,925,634	-	-	-
Deferred bond amortization	187,762	-	-	-
Total OPEB liability	-	-	-	-
Deposits	194,281	-	-	-
Total long-term liabilities	<u>15,683,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>16,556,247</u>	<u>110,832</u>	<u>875</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Pension and OPEB related	-	-	-	-
<b>Net position:</b>				
Net investment in capital assets	5,559,794	75,493	-	-
Restricted:				
Debt service	159,829	-	-	-
Unrestricted	1,098,435	49,196	3,500	38,750
Total net position	<u>\$ 6,818,058</u>	<u>\$ 124,689</u>	<u>\$ 3,500</u>	<u>\$ 38,750</u>



## Internal Service Funds

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

**RED RIVER AUTHORITY OF TEXAS**  
**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
<b>Operating revenues:</b>				
Water and sewer sales	\$ 5,426,272	\$ -	\$ -	\$ -
Charges for materials and services	-	534,411	3,500	-
Administrative fee income	-	-	-	-
Other	119,805	293,416	-	-
Total operating revenues	<u>5,546,077</u>	<u>827,827</u>	<u>3,500</u>	<u>-</u>
<b>Operating expenses:</b>				
Water purchases	807,778	-	-	-
Personnel services	1,013,827	336,598	-	-
Administrative costs	1,010,868	166,455	-	165
Utilities, supplies, and maintenance	933,710	340,003	-	-
Insurance	-	-	-	-
Automobile and travel	234,010	16,609	-	-
Professional and directors fees	13,161	250	-	-
Research expense	-	23,710	-	-
Total operating expenses	<u>4,013,354</u>	<u>883,625</u>	<u>-</u>	<u>165</u>
Operating income (loss) before depreciation and amortization	1,532,723	(55,798)	3,500	(165)
Depreciation and amortization	(499,078)	(35,671)	-	-
Operating income (loss)	<u>1,033,645</u>	<u>(91,469)</u>	<u>3,500</u>	<u>(165)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	261,416	108	-	165
Gain (loss) on disposal of assets	-	-	-	-
Interest expense	(579,172)	-	-	-
Total nonoperating revenues (expenses)	<u>(317,756)</u>	<u>108</u>	<u>-</u>	<u>165</u>
Change in net position	<u>715,889</u>	<u>(91,361)</u>	<u>3,500</u>	<u>-</u>
Net position, beginning, as previously reported	6,102,169	216,050	-	38,750
Prior period adjustment	-	-	-	-
Net position, beginning, as restated	<u>6,102,169</u>	<u>216,050</u>	<u>-</u>	<u>38,750</u>
Net position, ending	<u>\$ 6,818,058</u>	<u>\$ 124,689</u>	<u>\$ 3,500</u>	<u>\$ 38,750</u>



## Internal Service Funds

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

**RED RIVER AUTHORITY OF TEXAS**  
**COMBINING SCHEDULE OF CASH FLOWS**  
for the year ended September 30, 2018

	Enterprise Funds			
	Utility Division Fund	Environmental Services Division Fund	Direct Financing Arrangements Fund	Industrial Development Authority Fund
<b>Increase (decrease) in cash and cash equivalents:</b>				
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 5,469,201	\$ 822,298	\$ -	\$ -
Cash received from internal services provided	-	-	-	-
Cash payments to suppliers for goods and services	(2,687,217)	(498,755)	-	-
Cash payments to employees for services	(1,010,330)	(337,148)	-	-
Cash payments for internal services used	-	-	-	(165)
Net cash provided by (used in) operating activities	<u>1,771,654</u>	<u>(13,605)</u>	<u>-</u>	<u>(165)</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on revenue bonds and notes	(459,966)	-	-	-
Proceeds from interfund loans	22,147	-	-	-
Principal paid on interfund loans	(94,507)	-	-	-
Interest paid on revenue bonds and notes	(543,650)	-	-	-
Interest paid on interfund loans	(39,486)	-	-	-
Acquisition of capital assets	(2,843,075)	(13,719)	-	-
Proceeds from sale of equipment	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(3,958,537)</u>	<u>(13,719)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interfund loan advances	-	-	-	-
Collections received on interfund loans	-	-	-	-
Interest received on interfund loans	-	-	-	-
Proceeds from sales of investments	-	-	-	-
Interest received on investments	261,416	108	-	165
Net cash provided by (used in) investing activities	<u>261,416</u>	<u>108</u>	<u>-</u>	<u>165</u>
Net increase (decrease) in cash and cash equivalents	(1,925,467)	(27,216)	-	-
Cash and cash equivalents (deficit), beginning	<u>15,475,079</u>	<u>(14,458)</u>	<u>-</u>	<u>38,750</u>
Cash and cash equivalents (deficit), ending	<u>\$ 13,549,612</u>	<u>\$ (41,674)</u>	<u>\$ -</u>	<u>\$ 38,750</u>



Internal Service Funds

General Division Fund	Interfund Loan Fund	Maintenance Division Fund	Communications Division Fund	Motor Vehicle Pool Fund	Eliminations	Totals
\$ 5,833	\$ -	\$ 408,542	\$ 47,736	\$ -	\$ (420,529)	\$ 6,333,081
1,155,951	-	-	-	226,142	(1,382,093)	-
(362,580)	-	(160,176)	(16,026)	(146,696)	1,790,894	(2,080,556)
(561,791)	-	(179,354)	-	-	(1,118)	(2,089,741)
-	(12,681)	-	-	-	12,846	-
<u>237,413</u>	<u>(12,681)</u>	<u>69,012</u>	<u>31,710</u>	<u>79,446</u>	<u>-</u>	<u>2,162,784</u>
-	-	-	-	-	-	(459,966)
39,488	-	333,800	-	-	(395,435)	-
(49,390)	-	(148,230)	(6,736)	57,948	240,915	-
-	-	-	-	-	-	(543,650)
(38,259)	-	(10,590)	(1,926)	(11,829)	102,090	-
(47,183)	-	(196,442)	(6,377)	(130,980)	-	(3,237,776)
4,219	-	-	-	31,750	-	35,969
<u>(91,125)</u>	<u>-</u>	<u>(21,462)</u>	<u>(15,039)</u>	<u>(53,111)</u>	<u>(52,430)</u>	<u>(4,205,423)</u>
-	395,435	-	-	-	(395,435)	-
-	(549,955)	-	-	-	549,955	-
-	102,090	-	-	-	(102,090)	-
-	-	-	-	-	-	-
19,609	24,716	2,036	5,796	2,296	-	316,142
<u>19,609</u>	<u>(27,714)</u>	<u>2,036</u>	<u>5,796</u>	<u>2,296</u>	<u>52,430</u>	<u>316,142</u>
165,897	(40,395)	49,586	22,467	28,631	-	(1,726,497)
3,099,692	3,326,239	332,460	982,680	253,115	-	23,493,557
<u>\$ 3,265,589</u>	<u>\$ 3,285,844</u>	<u>\$ 382,046</u>	<u>\$ 1,005,147</u>	<u>\$ 281,746</u>	<u>\$ -</u>	<u>\$ 21,767,060</u>

**RED RIVER AUTHORITY OF TEXAS**  
**COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS, Continued**  
for the year ended September 30, 2018

	Enterprise Funds			
	Utility Division Fund	Environmental Services Division Fund	Direct Financing Arrangements Fund	Industrial Development Authority Fund
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
<b>Operating income (loss)</b>	\$ 1,033,645	\$ (91,469)	\$ 3,500	\$ (165)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
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	-	-	-	-
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in net pension assets	-	-	-	-
(Increase) decrease in deferred outflows	-	-	-	-
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)	-	-	-
Increase (decrease) in total OPEB liability	-	-	-	-
Increase (decrease) in deposits	1,900	-	-	-
(Increase) decrease in deferred inflows	-	-	-	-
Total adjustments	738,009	77,864	(3,500)	-
Net cash provided by (used in) operating activities	\$ 1,771,654	\$ (13,605)	\$ -	\$ (165)



Internal Service Funds

<u>General Division Fund</u>	<u>Interfund Loan Fund</u>	<u>Maintenance Division Fund</u>	<u>Communications Division Fund</u>	<u>Motor Vehicle Pool Fund</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 142,952	\$ (12,681)	\$ 33,191	\$ 31,937	\$ 3,472	\$ -	\$ 1,144,382
59,916	-	24,763	12,755	73,091	-	705,274
(16)	-	3,091	(16,417)	-	-	(100,650)
(1,531)	-	(150)	-	-	-	(1,681)
-	-	2,026	-	-	-	2,026
(462,900)	-	-	-	-	-	(462,900)
444,837	-	-	-	-	-	444,837
8,501	-	5,493	86	2,883	-	377,545
(2,427)	-	598	-	-	-	1,118
-	-	-	3,349	-	-	2,852
6,982	-	-	-	-	-	6,982
-	-	-	-	-	-	1,900
41,099	-	-	-	-	-	41,099
94,461	-	35,821	(227)	75,974	-	1,018,402
\$ 237,413	\$ (12,681)	\$ 69,012	\$ 31,710	\$ 79,446	\$ -	\$ 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**

	Utility Division Fund			Environmental Services Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues:</b>						
Water and sewer sales	\$ 4,847,921	\$ 5,426,272	\$ 578,351	\$ -	\$ -	\$ -
Charges for materials and services	-	-	-	311,118	534,411	223,293
Other	80,166	119,805	39,639	533,254	293,416	(239,838)
Total operating revenues	<u>4,928,087</u>	<u>5,546,077</u>	<u>617,990</u>	<u>844,372</u>	<u>827,827</u>	<u>(16,545)</u>
<b>Operating expenses:</b>						
Water purchases	722,028	807,778	(85,750)	-	-	-
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	-	-	-
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	<u>3,613,468</u>	<u>4,013,354</u>	<u>(399,886)</u>	<u>782,833</u>	<u>883,625</u>	<u>(100,792)</u>
Operating income (loss) before 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)	<u>797,330</u>	<u>1,033,645</u>	<u>236,315</u>	<u>14,188</u>	<u>(91,469)</u>	<u>(105,657)</u>
<b>Nonoperating revenues (expenses):</b>						
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)	<u>(567,501)</u>	<u>(317,756)</u>	<u>249,745</u>	<u>24</u>	<u>108</u>	<u>84</u>
Change in net position	<u>\$ 229,829</u>	<u>715,889</u>	<u>\$ 486,060</u>	<u>\$ 14,212</u>	<u>(91,361)</u>	<u>\$ (105,573)</u>
Net position, beginning		<u>6,102,169</u>			<u>216,050</u>	
Net position, ending		<u>\$ 6,818,058</u>			<u>\$ 124,689</u>	



**RED RIVER AUTHORITY OF TEXAS**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - INTERNAL SERVICE FUNDS**  
**BUDGET AND ACTUAL**  
**for the year ended September 30, 2018**

	General Division Fund			Interfund Loan Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues:</b>						
Charges for materials and services	\$ 84,343	\$ 5,849	\$ (78,494)	\$ -	\$ -	\$ -
Administrative fee income	1,045,743	1,155,951	110,208	-	-	-
Other	-	-	-	-	-	-
Total operating revenues	<u>1,130,086</u>	<u>1,161,800</u>	<u>31,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating expenses:</b>						
Personnel services	578,049	589,382	(11,333)	-	-	-
Administrative costs	48,594	57,488	(8,894)	13,994	12,681	1,313
Utilities, supplies, and maintenance	112,000	92,866	19,134	-	-	-
Insurance	60,479	61,172	(693)	-	-	-
Automobile and travel	14,977	11,592	3,385	-	-	-
Professional and directors fees	233,087	142,332	90,755	-	-	-
Research expense	-	4,100	(4,100)	-	-	-
Total operating expenses	<u>1,047,186</u>	<u>958,932</u>	<u>88,254</u>	<u>13,994</u>	<u>12,681</u>	<u>1,313</u>
Operating income (loss) before depreciation	82,900	202,868	119,968	(13,994)	(12,681)	1,313
Depreciation	(59,893)	(59,916)	(23)	-	-	-
Operating income (loss)	<u>23,007</u>	<u>142,952</u>	<u>119,945</u>	<u>(13,994)</u>	<u>(12,681)</u>	<u>1,313</u>
<b>Nonoperating revenues (expenses):</b>						
Interest income	13,989	19,609	5,620	139,940	126,806	(13,134)
Gain on disposal of asset	4,000	4,288	288	-	-	-
Interest expense	(40,535)	(38,259)	2,276	-	-	-
Total nonoperating revenues (expenses)	<u>(22,546)</u>	<u>(14,362)</u>	<u>8,184</u>	<u>139,940</u>	<u>126,806</u>	<u>(13,134)</u>
Income (loss) before operating transfers	461	128,590	128,129	125,946	114,125	(11,821)
Operating transfers in (out)	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 7,461</u>	<u>128,590</u>	<u>\$ 121,129</u>	<u>\$ 125,946</u>	<u>114,125</u>	<u>\$ (11,821)</u>
Net position, beginning		<u>4,003,407</u>			<u>4,840,828</u>	
Net position, ending		<u>\$ 4,131,997</u>			<u>\$ 4,954,953</u>	

**RED RIVER AUTHORITY OF TEXAS**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - INTERNAL SERVICE FUNDS**  
**BUDGET AND ACTUAL**  
**for the year ended September 30, 2018**

	Maintenance Division Fund			Communications Division Fund			Motor Vehicle Pool Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues:</b>									
Charges for materials and services	\$ 302,229	\$ 405,451	\$ 103,222	\$ 65,287	\$ 60,804	\$ (4,483)	\$ 192,964	\$ 226,142	\$ 33,178
<b>Operating expenses:</b>									
Personnel services	133,469	179,952	(46,483)	277	-	277	-	-	-
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)	-	-	-
Automobile and travel	35,214	46,858	(11,644)	-	-	-	104,688	136,357	(31,669)
Total operating expenses	256,865	347,497	(90,632)	15,869	16,112	(243)	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
<b>Nonoperating revenues (expenses):</b>									
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	-	-	-	-	-	-	16,665	30,719	14,054
Interest expense	(1,485)	(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)	\$ 43,120	35,807	\$ (7,313)	\$ 2,842	24,658	\$ 21,816
Net position, beginning		425,052			954,453			234,194	
Net position, ending		\$ 449,689			\$ 990,260			\$ 258,852	



**RED RIVER AUTHORITY OF TEXAS****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.

**RED RIVER AUTHORITY OF TEXAS**  
**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	<u>2,445,552</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>7,728,995</u></b>

Number of persons employed by the Authority:

30



**RED RIVER AUTHORITY OF TEXAS**

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

None

**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.



## RED RIVER AUTHORITY OF TEXAS

BONDED DEBT AND INTEREST MATURITIES  
WATER REVENUE BONDS

September 30, 2018

Fiscal Year	Annual Requirements for all Series		
	Bond Maturities	Interest on Bonds	Annual Requirements
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
	<u>\$ 15,266,601</u>	<u>\$ 9,387,585</u>	<u>\$ 24,654,186</u>

## RED RIVER AUTHORITY OF TEXAS

DEBT SERVICE COVERAGE  
WATER REVENUE BONDS

September 30, 2018

## Water Revenue Bonds

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

## RED RIVER AUTHORITY OF TEXAS

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

**TOTAL BOND ISSUE: \$849,200**

<u>Year</u>	<u>Bond Principal Due August 15</u>	<u>Interest Due 1.93%</u>		<u>Total Annual Requirement</u>	<u>Bonds Outstanding September 30</u>
		<u>February 15</u>	<u>August 15</u>		
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	-
	<u>\$ 556,601</u>	<u>\$ 43,371</u>	<u>\$ 43,371</u>	<u>\$ 643,343</u>	

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



## RED RIVER AUTHORITY OF TEXAS

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

**TOTAL BOND ISSUE: \$15,130,000**

Year	Bond Principal Due August 15	Interest Due 1.93%		Total Annual Requirement	Bonds
		February 15	August 15		Outstanding September 30
2017-18					\$ 14,710,000
18-19	\$ 300,000	\$ 263,800	\$ 263,800	\$ 827,600	14,410,000
19-20	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	-
	<u>\$ 14,710,000</u>	<u>\$ 4,650,426</u>	<u>\$ 4,650,417</u>	<u>\$ 24,010,843</u>	

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

**RED RIVER AUTHORITY OF TEXAS**

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

	<u>Series 2010</u>	<u>Series 2017</u>	<u>Totals</u>
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	\$ 15,726,566
Principal Retirements	39,965	420,000	459,965
Bonds Outstanding, End of Year	556,601	14,710,000	15,266,601
Interest payments	12,068	531,800	543,868

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:

	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Issued	\$ -	\$ 15,792,000	\$ -
Remaining to be Issued	\$ -	\$ -	\$ -



**RED RIVER AUTHORITY OF TEXAS**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**PROPRIETARY FUND (Before Intrafund eliminations)**  
**LAST FIVE YEARS**

	AMOUNTS				
	2018	2017	2016	2015	2014
<b>Operating revenues:</b>					
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	-	-	-	-	-
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
<b>Total operating revenues</b>	<b>8,231,601</b>	<b>7,761,162</b>	<b>6,576,691</b>	<b>6,637,982</b>	<b>6,649,757</b>
<b>Operating expenses:</b>					
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
<b>Total operating expenses</b>	<b>7,087,219</b>	<b>6,855,287</b>	<b>6,238,253</b>	<b>5,943,880</b>	<b>5,963,576</b>
<b>Operating income</b>	<b>1,144,382</b>	<b>905,875</b>	<b>338,438</b>	<b>694,102</b>	<b>686,181</b>
<b>Nonoperating revenues (expenses)</b>					
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)
<b>Total nonoperating revenues (expenses)</b>	<b>(188,537)</b>	<b>(54,326)</b>	<b>18,229</b>	<b>218,554</b>	<b>(66,729)</b>
<b>Change in net position</b>	<b>\$ 955,845</b>	<b>\$ 851,549</b>	<b>\$ 356,667</b>	<b>\$ 912,656</b>	<b>\$ 619,452</b>



**PERCENT OF FUND TOTAL REVENUES**

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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%
<u>33.8%</u>	<u>33.6%</u>	<u>38.3%</u>	<u>39.4%</u>	<u>42.8%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
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%	18.2%
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%	2.3%
0.3%	1.0%	0.4%	0.0%	0.6%
<u>8.6%</u>	<u>9.0%</u>	<u>10.5%</u>	<u>10.7%</u>	<u>10.9%</u>
<u>86.1%</u>	<u>88.3%</u>	<u>94.9%</u>	<u>89.5%</u>	<u>89.7%</u>
<u>13.9%</u>	<u>11.7%</u>	<u>5.1%</u>	<u>10.5%</u>	<u>10.3%</u>
5.1%	2.5%	2.0%	1.6%	1.5%
0.4%	0.0%	0.1%	3.4%	0.4%
<u>-7.8%</u>	<u>-3.2%</u>	<u>-1.8%</u>	<u>-1.7%</u>	<u>-3.0%</u>
<u>-2.3%</u>	<u>-0.7%</u>	<u>0.3%</u>	<u>3.3%</u>	<u>-1.0%</u>
<u>11.6%</u>	<u>11.0%</u>	<u>5.4%</u>	<u>13.7%</u>	<u>9.3%</u>

## RED RIVER AUTHORITY OF TEXAS

### ENTERPRISE FUNDS

#### CAPITAL ASSETS

for the year ended September 30, 2018

	Balance October 1, 2017	Additions / Completions	Deletions / Adjustments	Balance September 30, 2018
<b>UTILITY DIVISION FUND</b>				
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:				
Water storage rights	(257,159)	(7,471)	-	(264,630)
Water and sewer systems amortization	(12,181,677)	(480,235)	406,219	(12,255,693)
and amortized, net	(12,438,836)	(487,706)	406,219	(12,520,323)
Total capital assets, net	6,096,011	(459,566)	(11,372)	5,625,073
	<u>\$ 6,520,817</u>	<u>\$ 2,411,524</u>	<u>\$ (67,527)</u>	<u>\$ 8,864,814</u>
<b>ENVIRONMENTAL SERVICES DIVISION FUND</b>				
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)	-	(24,938)
Total accumulated depreciation and amortized, net	(561,460)	(35,672)	5,321	(591,811)
Total capital assets, net	97,445	(21,952)	-	75,493
	<u>\$ 97,445</u>	<u>\$ (21,952)</u>	<u>\$ -</u>	<u>\$ 75,493</u>

## RED RIVER AUTHORITY OF TEXAS

### INTERNAL SERVICE FUNDS

#### CAPITAL ASSETS

for the year ended September 30, 2018

	Balance 2017	Additions / Completions	Deletions / Adjustments	Balance 2018
<b>GENERAL DIVISION FUND</b>				
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
<b>MAINTENANCE DIVISION FUND</b>				
Capital assets not being depreciated:				
Land easements	\$ 4,312	\$ 100,000	\$ -	\$ 104,312
Total capital assets not being depreciated	4,312	100,000	-	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)	-	(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



## RED RIVER AUTHORITY OF TEXAS

### INTERNAL SERVICE FUNDS CAPITAL ASSETS for the year ended September 30, 2018

	Balance 2017	Additions / Completions	Deletions / Adjustments	Balance 2018
<b>COMMUNICATIONS DIVISION FUND</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Machinery and equipment	\$ 320,726	\$ -	\$ -	\$ 320,726
Total capital assets, being depreciated	320,726	-	-	320,726
Less accumulated depreciation for:				
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	<u>\$ 34,867</u>	<u>\$ (6,378)</u>	<u>\$ -</u>	<u>\$ 28,489</u>
<b>MOTOR VEHICLE POOL FUND</b>				
Capital assets being depreciated:				
Motor vehicles	\$ 427,756	130,980	(147,034)	\$ 411,702
Total capital assets being 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	<u>\$ 96,083</u>	<u>\$ 57,889</u>	<u>\$ (1,030)</u>	<u>\$ 152,942</u>



# RED RIVER BASIN REGIONAL WATER SUPPLY

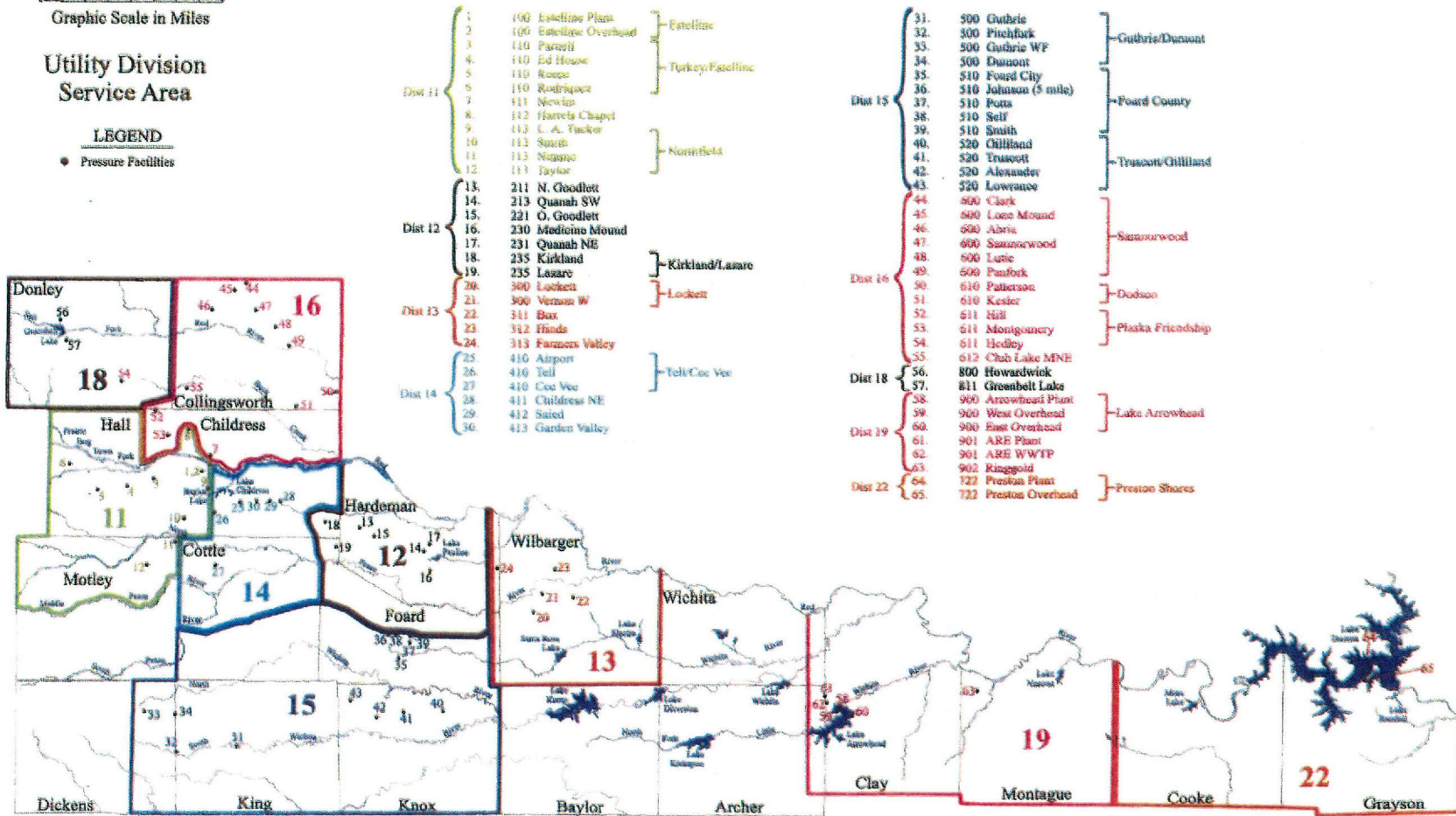


Graphic Scale in Miles

Utility Division  
Service Area

**LEGEND**

● Pressure Facilities



**RED RIVER AUTHORITY OF TEXAS**

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

State Agency  
Texas Commission on Environmental Quality

Contract Number	582-18-80215		Total
	Year 1	Year 2	
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
	<u>293,416</u>	<u>-</u>	<u>293,416</u>
Accrued Revenue at 09-30	\$ 29,519	\$ -	\$ 29,519



## RED RIVER AUTHORITY OF TEXAS

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

<b>Direct Salary Cost</b>	<u>FY 2018</u>	<u>FY 2017</u>
Regular Salaries	\$ 1,301,377	\$ 1,250,232
Overtime Salaries	128,884	89,476
<b>Total Salaries</b>	<u>1,430,261</u>	<u>1,339,708</u>
 <b>Fringe Benefit Pool</b>		
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>	<u>712,123</u>	<u>733,384</u>
 <b>Total Personnel Cost</b>	 <u>\$ 2,142,384</u>	 <u>\$ 2,073,092</u>
 <b>Reconciliation of Total Personnel Cost</b>		
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
<b>Total Reconciled Personnel Cost</b>	<u>\$ 2,142,384</u>	<u>\$ 2,073,092</u>
 <b>Fringe Benefit Rate</b>	 <u>49.79%</u>	 <u>54.74%</u>
 <b>General Overhead</b>		
General Division Operating Expense	\$ 207,467	\$ 188,360
General Insurance	43,395	40,624
<b>Total General Overhead</b>	<u>\$ 250,862</u>	<u>\$ 228,984</u>
 <b>General Overhead Rate</b>	 <u>17.54%</u>	 <u>17.09%</u>

**RED RIVER AUTHORITY OF TEXAS**

**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	-
	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

**RED RIVER AUTHORITY OF TEXAS**

**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		<u>\$243,066</u>	<u>\$ 99,259</u>		

Total payable to Interfund Loan Division September 30, 2018

\$ 1,667,326



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## **STATISTICAL SECTION**

**RED RIVER AUTHORITY OF TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
**(Unaudited)**

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Net investment in capital assets	\$ 5,537,508	\$ 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	<u>\$ 12,184,423</u>	<u>\$ 13,584,911</u>	<u>\$ 13,713,142</u>

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	899,564	88,380	88,380	274,937	159,829
6,553,893	6,154,206	8,247,298	8,473,689	10,019,706	10,296,219
<u>\$ 13,901,818</u>	<u>\$ 14,521,270</u>	<u>\$ 15,658,732</u>	<u>\$ 16,015,399</u>	<u>\$ 16,866,948</u>	<u>\$ 17,770,748</u>

**RED RIVER AUTHORITY OF TEXAS**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
(Unaudited)

	2009-2010	2010-2011	2011-2012
Operating revenues:			
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	<u>4,181,081</u>	<u>4,944,959</u>	<u>4,647,179</u>
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	<u>4,168,161</u>	<u>4,205,757</u>	<u>4,385,384</u>
Operating income	<u>12,920</u>	<u>739,202</u>	<u>261,795</u>
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)	<u>(236,869)</u>	<u>65,660</u>	<u>(133,564)</u>
Change in net position	<u>\$ (223,949)</u>	<u>\$ 804,862</u>	<u>\$ 128,231</u>

		Fiscal Year									
		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018				
\$	3,710,743	\$	4,072,153	\$	4,066,063	\$	4,104,905	\$	5,188,070	\$	5,426,272
	493,992		592,542		896,461		597,030		634,741		589,486
	397,042		520,952		325,801		379,887		351,803		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
	1,700,020		1,776,013		1,797,435		1,960,880		2,051,454		2,119,759
	88,389		86,298		163,638		155,203		157,838		160,376
	750,211		835,578		734,127		933,240		957,427		1,027,401
	50,471		52,961		50,822		53,398		61,470		61,172
	238,071		229,942		189,622		178,101		170,987		219,284
	102,848		149,930		321,222		84,145		376,864		155,743
	39,690		39,690		-		23,710		78,710		27,810
	712,312		727,832		708,830		693,032		699,233		705,274
	4,307,557		4,499,466		4,594,223		4,743,384		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)		(12,426)		(12,373)		(152,123)		(539,686)
	(105,544)		(66,729)		218,554		18,229		(54,326)		(188,537)
\$	188,676	\$	619,452	\$	912,656	\$	356,667	\$	851,549	\$	955,845



## RED RIVER AUTHORITY OF TEXAS

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

Fiscal Year	Water and Sewer Systems	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

## RED RIVER AUTHORITY OF TEXAS

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

Fiscal Year	Metered Connections	Water Sales	Average Monthly Bill	Type of Service		
				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%

## RED RIVER AUTHORITY OF TEXAS

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

Fiscal Year	Treated Water in Million Gallons							
	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



## RED RIVER AUTHORITY OF TEXAS

### 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

## RED RIVER AUTHORITY OF TEXAS

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

Taxpayer	Location	Rank	2017-18		2008-09		
			Average Bill	Average Use (gals)	Rank	Average Bill	Average Use (gals)
Tanglewood Operators, Inc	Grayson	1	\$ 851	2,861,330	-	\$ -	-
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	-	-	-
Cornerstone Marine Group LP	Grayson	8	1,398	182,890	-	-	-
Buckle L Ranch	Childress	9	2,263	179,490	-	-	-
Bradley 3 Ranch LTD	Childress/Hall	10	1,644	167,750	-	-	-
Guthrie School	King	-	-	-	10	799	130,927
Panfork Baptist Church	Collingsworth	-	-	-	8	842	136,136
Cornerstone Marine Group	Grayson	-	-	-	9	813	219,025
Texas Dept of Transportation	Donley/Hardeman	-	-	-	4	2,716	491,266
Dan Owenby	Foard	-	-	-	6	1,002	221,088

## RED RIVER AUTHORITY OF TEXAS

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

<u>Fiscal Year</u>	<u>Bonded Debt Outstanding</u>	<u>Net Income Available for Debt Service</u>	<u>Average Annual Principal and Interest</u>	<u>Average Annual Times Covered</u>	<u>Maximum Principal and Interest</u>	<u>Maximum Times Covered</u>
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



## RED RIVER AUTHORITY OF TEXAS

### 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)**

Exhibit D-10

- 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  |
| 10,000 — 50,000   | 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, 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
- 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



## RED RIVER AUTHORITY OF TEXAS

## POPULATION DATA

(Unaudited)

County Name	Region	ID	Square Miles	Population				
				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	18,999	21,165	19,153	18,561	19,372
* Dickens	2	63	902	3,737	3,539	2,571	2,762	2,444
* 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 Counties in Basin			40,360	794,937	865,533	867,574	947,179	980,600
* Utility Division Service Area			12,312	165,384	174,752	171,653	189,519	195,440

Source of Information: United States Census Bureau



## RED RIVER AUTHORITY OF TEXAS

### SIGNIFICANT RESERVOIRS IN THE RED RIVER BASIN

September 30, 2018

(Unaudited)

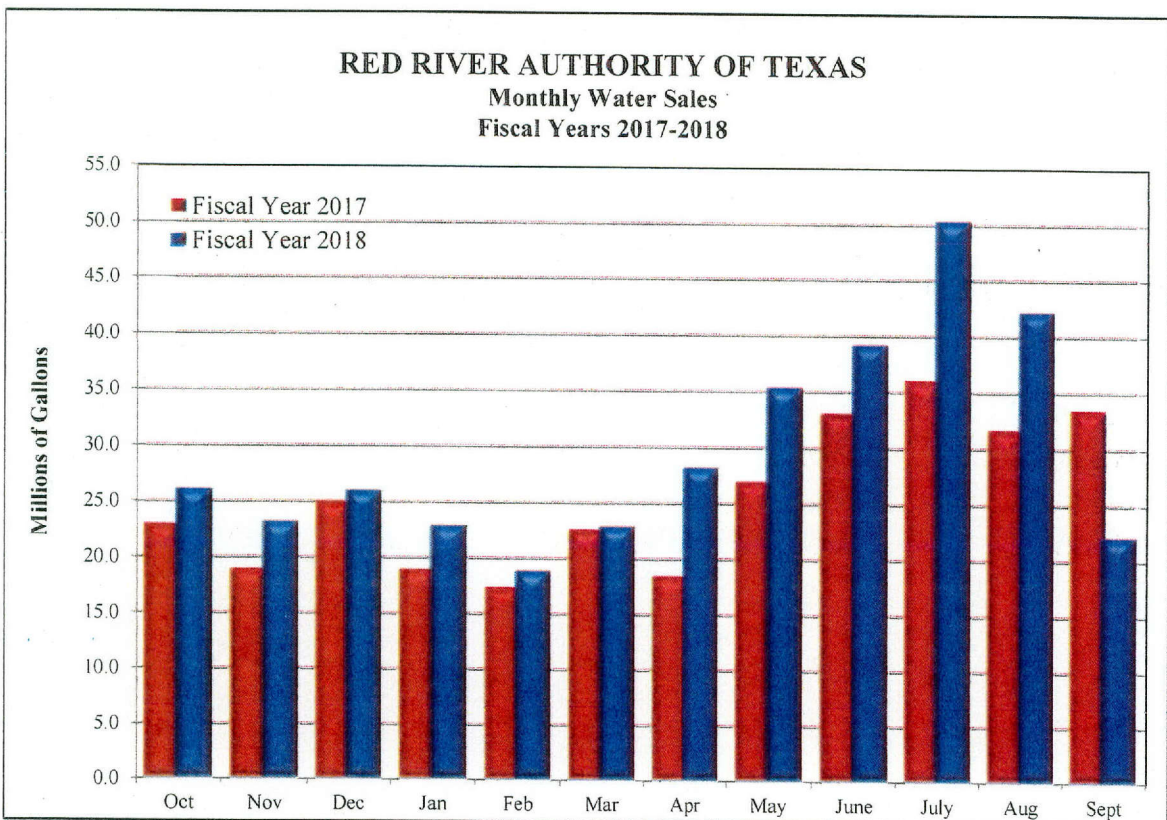
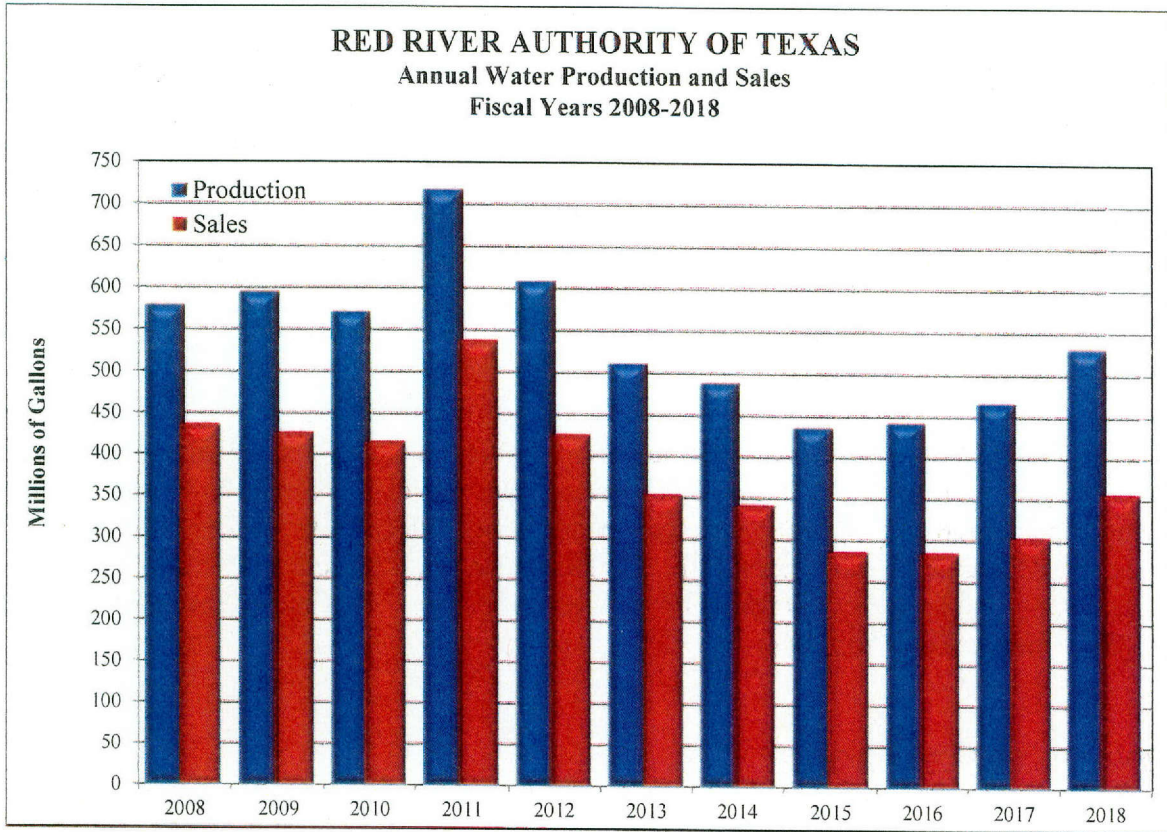
Reservoir Name	County	Elevation Ft AMSL	Surface Acres	Capacity Acre-Feet	Diversion ACF/YR	Type Uses
Archer City Lake	Archer	1,023	90	396	2,500	M/R
Lake Kickapoo	Archer	1,045	5,864	86,345	40,000	M
Scotland Lake	Archer	934	70	364	-	R
Lake Cooper	Archer	1,155	432	4,546	810	M/R
Lake Diversion	Archer/Baylor	1,052	3,397	35,324	-	M/I/F/R/Ir/Mi
Lake Kemp	Baylor	1,144	15,357	245,434	-	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	-	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	-	R
Valley Lake	Fannin/Grayson	611	1,080	16,400	-	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	-	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	-	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	-	Ir/F
Santa Rosa Lake	Wilbarger	1,167	1,500	11,570	-	Ir
Lake Electra	Wilbarger	1,111	660	8,730	600	M/F
<b>Total Reservoirs: 32</b>			<b>140,385</b>	<b>3,543,863</b>	<b>184,772</b>	

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

Source of Information: Texas Water Development Board

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**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

**CURRENT STATUS:** 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**

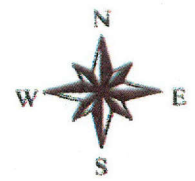
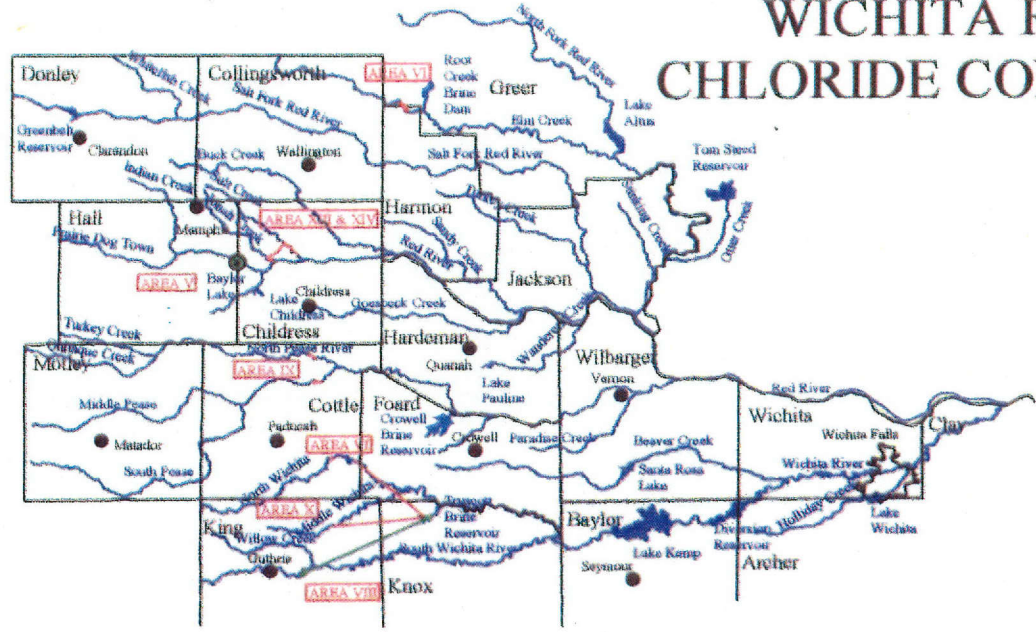
**TRUSCOTT BRINE RESERVOIR**

<b>Location:</b>	2 miles northwest of Truscott in Knox County, TX on Bluff Creek
<b>Dam Length:</b>	14,800 feet
<b>Dam Height:</b>	100 feet above stream bed
<b>Surface Area:</b>	Brine storage pool = 2,980 acres Flood control pool = 3,090 acres
<b>Total Capacity:</b>	116,200 acre-feet

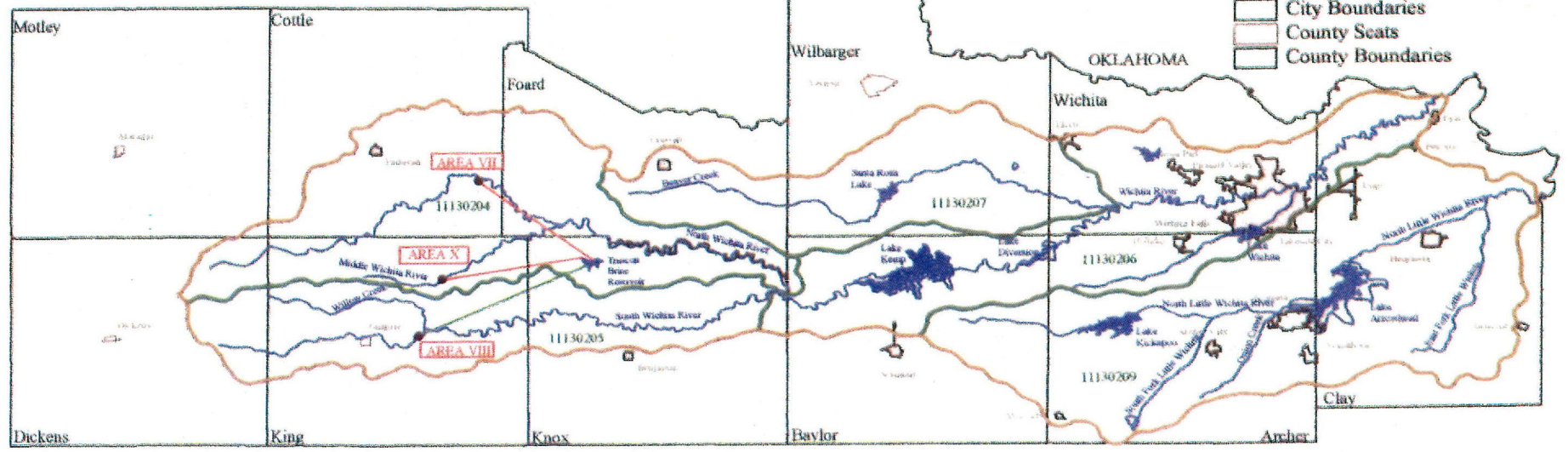
**BATEMAN PUMP STATION**

<b>Location:</b>	River mile 74.9 of the South Fork Wichita River in King County, Texas
<b>Type of Dam:</b>	Pneumatic (Inflatable)
<b>Dam Length:</b>	40 feet
<b>Dam Height:</b>	5 feet
<b>Surface Area:</b>	3 acres with the dam inflated

# WICHITA RIVER BASIN CHLORIDE CONTROL PROJECT



- Identified Chloride Sources
- Operational Control Facilities
- Proposed Diversion Facilities
- Lakes
- Reach-II
- △ Hydrology
- ▭ Hydrologic Unit Boundaries
- ▭ City Boundaries
- ▭ County Seats
- ▭ County Boundaries





**INSURANCE COVERAGE**  
**Texas Municipal League Intergovernmental Risk Pool**  
**September 30, 2018**  
**(Unaudited)**

Policy:	Workers Compensation
Policy Period:	10-01-17 to 09-30-18
Perils:	Losses under Workers' Compensation Laws
Coverage:	Statutory
Premium:	\$22,625
Policy:	General Liability
Policy Period:	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
Policy Period:	10-01-17 to 09-30-18
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
Policy Period:	10-01-17 to 09-30-18
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
Perils:	Physical damage
Coverage:	Actual cash value
Premium:	\$4,515
Policy:	Crime Policy
Policy Period:	10-01-17 to 09-30-18
Perils:	Public employee dishonesty and forgery or alteration
Coverage:	\$200,000 per employee – Public Employee Dishonesty \$100,000 – Forgery or Alteration
Premium:	\$969



**OVERALL COMPLIANCE  
AND  
INTERNAL CONTROL SECTION**





# EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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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*

Edgin, Parkman, Fleming & Fleming, PC

January 8, 2019









