

**WHITE RIVER MUNICIPAL WATER DISTRICT
SPUR, TEXAS**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

**WHITE RIVER MUNICIPAL WATER DISTRICT
SPUR, TEXAS**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

WHITE RIVER MUNICIPAL WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

| | | <u>Page</u> |
|---|-------------|-------------|
| Independent Auditor’s Report | | 1 |
| Management’s Discussion and Analysis (Required Supplementary Information) | | 3 |
| Basic Financial Statements | | |
| Statement of Net Position | Exhibit A-1 | 10 |
| Statement of Activities | Exhibit A-2 | 11 |
| Balance Sheet - Governmental Funds | Exhibit A-3 | 12 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | Exhibit A-4 | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | Exhibit A-5 | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | Exhibit A-6 | 15 |
| Statement of Net Position – Proprietary Fund | Exhibit A-7 | 16 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund | Exhibit A-8 | 17 |
| Statement of Cash Flows – Proprietary Fund | Exhibit A-9 | 18 |
| Notes to the Basic Financial Statements | | 19 |
| Required Supplementary Information (Unaudited) | | |
| Schedule of Changes in the Plan’s Net Pension Asset and Related Ratios | Exhibit B-1 | 38 |
| Schedule of Employer Contributions | Exhibit B-2 | 39 |
| Budgetary Comparison Schedule – Water Fund | Exhibit B-3 | 40 |
| Notes to Required Supplementary Information | | 41 |
| OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 42 |
| Schedule of Findings and Responses | | 44 |

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
White River Municipal Water District
Spur, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of White River Municipal Water District, Spur, Texas (the District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of White River Municipal Water District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the plan's net pension asset and related ratios, schedule of employer contributions, and budgetary comparison information on pages 3 through 9 and 38 through 40 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 3, 2017

**WHITE RIVER MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the White River Municipal Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the year ended June 30, 2017. Please read it in conjunction with the Independent Auditor's Report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$8,724,300 (net position) as compared to \$8,132,518 for the previous fiscal year. Of this amount, \$2,462,673 (unrestricted net position) is in an unrestricted position. Net Position grew \$591,782 in 2017 as compared to an increase of \$594,190 in 2016.
- At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$663,510, an increase of \$6,057 in comparison with the prior year.
- At June 30, 2017, the unassigned fund balance of the general fund was \$354,897 or 34.47% of total general fund expenditures as compared to \$561,739, or 51.90% of total general fund expenditures for the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a combination of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison (water fund) is presented as a required supplementary information.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position's purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in the District's revenue sources and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has two kinds of activity:

- Governmental activity – Most of the District's basic services are reported here, including bulk water sales, lot leases, maintenance, plant, and administration. User charges and to a lesser extent investment income finances these activities.
- Business-type activity – Services that are intended to be ran more like a business are reported in this fund. All members around the lake are reported in this fund and it tracks the net income or loss overtime associated with providing water to those customers.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Governmental fund types include the general (water) fund, and special revenue fund.

- Governmental funds – All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits A-4 and A-6.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet – Exhibit A-3) reported a combined fund balance of \$663,510, which is consistent with last year's total of \$657,453. The District water services accounted for in the governmental funds is based on rates agreed upon with member cities and based on the budget adopted by the Board of Directors at the beginning of each year. Unanticipated events during the year can impact revenue and expenses. Water Fund – Personnel cost continued to remain below budget because of unfilled positions. Electricity cost was lower than budgeted due to the reduction of water pumped. Special Revenue Funds – The fund balance increased due to funds transferred from the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental and business-type activities increased from \$8,132,518 to \$8,724,300. Unrestricted Net Position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,940,484 to \$2,462,673.

Table I
White River Municipal Water District

NET POSITION

| | Governmental Activities 2017 | Business-Type Activities 2017 | Governmental Activities 2016 | Business-Type Activities 2016 |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Current and Other Assets | \$ 927,781 | \$ 1,778,082 | \$ 658,069 | \$ 1,347,028 |
| Capital Assets | 5,267,103 | 700,954 | 4,952,203 | 622,432 |
| Other Noncurrent Assets | 1,221,755 | 75,320 | 1,285,652 | 68,576 |
| Deferred Outflows | 126,479 | 33,222 | 170,362 | 38,811 |
| Total Assets and Deferred Outflows | <u>\$ 7,543,118</u> | <u>\$ 2,587,578</u> | <u>\$ 7,066,286</u> | <u>\$ 2,076,847</u> |
| Current and Other Liabilities | \$ 266,354 | \$ 15,525 | \$ 50,615 | \$ |
| Long-Term Liabilities | 945,422 | | 960,000 | |
| Deferred Inflows | 141,839 | 37,256 | | |
| Total Liabilities and Deferred Inflows | <u>\$ 1,353,615</u> | <u>\$ 52,781</u> | <u>\$ 1,010,615</u> | <u>\$ 0</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 5,267,103 | \$ 700,954 | \$ 5,017,855 | \$ 622,432 |
| Restricted | 293,570 | | 551,747 | |
| Unrestricted | 628,830 | 1,833,843 | 486,069 | 1,454,415 |
| Total Net Position | <u>\$ 6,189,503</u> | <u>\$ 2,534,797</u> | <u>\$ 6,055,671</u> | <u>\$ 2,076,847</u> |

The District's Current and Other Assets increased due to increased income from water billings.

The change in Capital Assets includes additions of \$726,985 and annual depreciation of \$336,269.

Long-Term Liabilities decreased due to paying down existing debt.

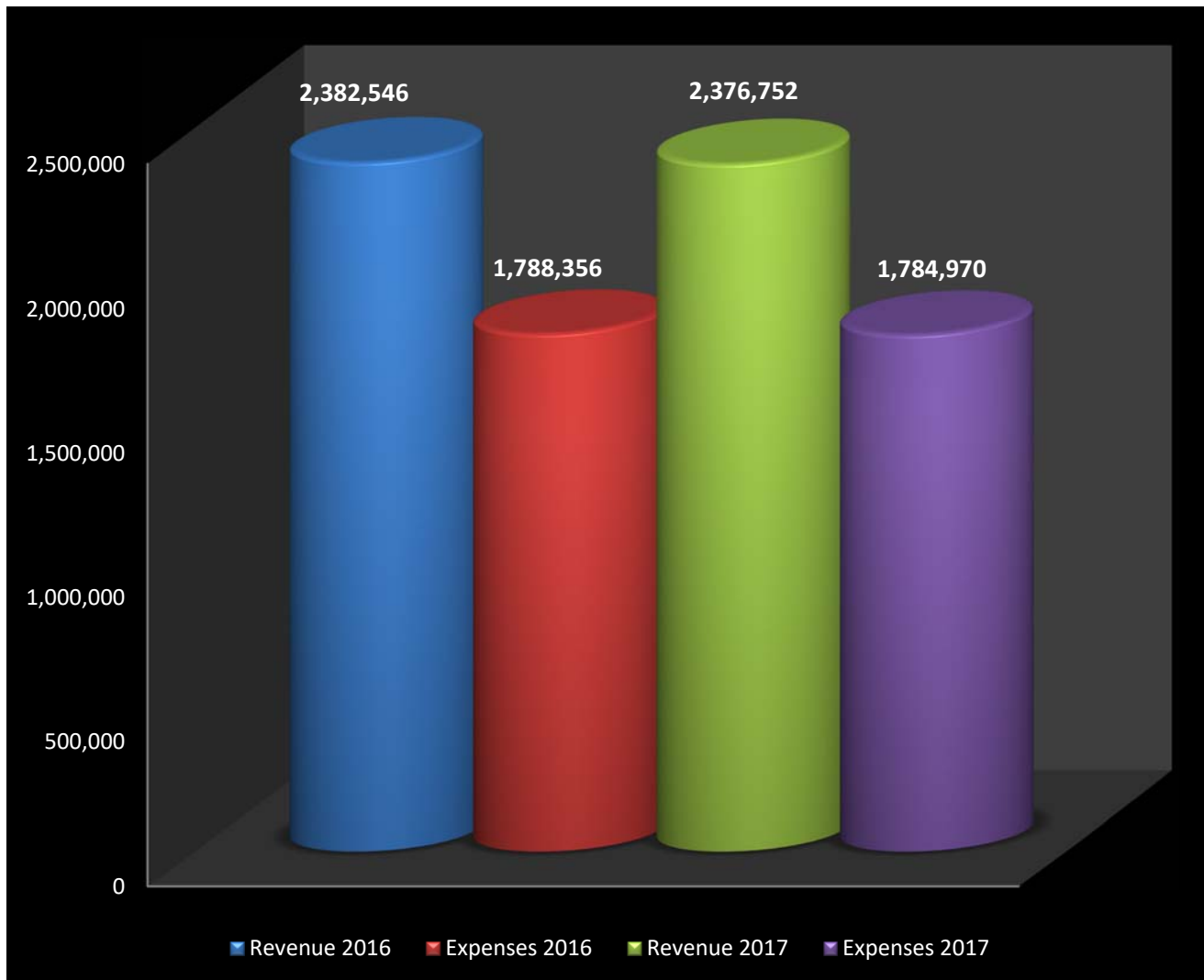
Table II
White River Municipal Water District

CHANGES IN NET POSITION

| | Governmental Activities <u>2017</u> | Business-Type Activities <u>2017</u> | Governmental Activities <u>2016</u> | Business-Type Activities <u>2016</u> |
|--------------------------------------|---|--|---|--|
| Revenues: | | | | |
| Charges for Services and Assessments | \$ 1,332,673 | \$ 495,461 | \$ 1,297,068 | \$ 437,556 |
| Operating and Capital Grants | 474,000 | 11,724 | 639,090 | |
| Investment and Other Earnings | <u>53,737</u> | <u>9,157</u> | <u>4,594</u> | <u>4,238</u> |
| Total Revenue | \$ <u>1,860,410</u> | \$ <u>516,342</u> | \$ <u>1,940,752</u> | \$ <u>441,794</u> |
| Expenses: | | | | |
| Administrative | \$ 248,531 | | \$ 365,825 | |
| Plant | 693,075 | | 631,873 | |
| Maintenance | 516,534 | | 444,918 | |
| Recreation and Law Enforcement | | 289,592 | | 308,387 |
| Interest Expense and Fees | <u>37,238</u> | | <u>37,353</u> | |
| Total Expenses | \$ <u>1,495,378</u> | \$ <u>289,592</u> | \$ <u>1,479,969</u> | \$ <u>308,387</u> |
| Transfers In (Out) | <u>(231,200)</u> | <u>231,200</u> | <u>(200,000)</u> | <u>200,000</u> |
| Increase in Net Position | \$ 133,832 | \$ 457,950 | \$ 260,783 | \$ 333,407 |
| Net Position at July 1, | <u>6,055,671</u> | <u>2,076,847</u> | <u>5,794,888</u> | <u>1,743,440</u> |
| Net Position at June 30, | <u><u>\$ 6,189,503</u></u> | <u><u>\$ 2,534,797</u></u> | <u><u>\$ 6,055,671</u></u> | <u><u>\$ 2,076,847</u></u> |

See the table on the next page for total revenue and expenses for 2017 and 2016.

Revenues and Expenses



The District's total revenues were down in comparison to the prior year. This is attributable to a decrease in grant income. However, income from billings to member cities for water and income from recreational activities were both up over the prior year.

In 2017 the District's total expenditures increased due to the increase in depreciation expense and increased costs for repairs and maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017, the District had \$5,968,057 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, infrastructure, machinery and equipment and other improvements. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Debt and Obligations

At year-end the District had \$960,000 in bonds and obligations outstanding versus \$985,000 last year – a decrease of 2.54%.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Water Plant is over 50 years old and is in fair condition. Updates are needed to stay on top of the District's treatment needs. The District is in the initial phase of a \$4.18 million-dollar update to the water treatment plant and remote sites. The District has several 50-year-old water tanks still in service that will need to be replaced or rehabbed in the near future. The District also has many miles of 50-year-old pipeline that will also need to be replaced over the course of the next few years. The District has already started replacing pipeline during a leak with C-905 PVC instead of repairing the existing Concrete Steel Cylinder pipe.

The District owns 7 houses, located at the lake for its employees that are 50+ years old and in need of repairs. Houses are in fair condition but need some repairs and updates to be made. The District will need to budget in the future for these repairs and updates. In 2017, the Board of Director's approved setting up a new bank account to accumulate funds for the purpose of District house repairs.

The financial status of the District is fair. The District has not seen a substantial increase in water rates since October 2012. The District this year decided to increase water rates \$0.01/ 1,000 gal. for wholesale customers.

Many factors impact the District and its operations including the economy, weather, growth in customer needs (water demand) and cost increases in fuel, electricity, materials and labor. Water sales are the largest factors affecting revenues. Revenues for 2018 are calculated based off contractual minimum water use previous year billed water, anticipated recreation fees, and farm rental contracts. Total projected revenue for the fiscal year 2018 is \$1,494,904.

Operating Expense for 2018 is budgeted in the amount of \$1,466,514, a decrease of \$77,112 or (5.26%) lower than 2017.

It is expected that WRMWD will be able to fund identified capital requirements while maintaining appropriate debt service coverage levels and sustaining sound overall financial position.

SUMMARY

During the next year the District will continue to work to develop infrastructure improvements and continue to pursue future water for our constituents. The environmental drought conditions our region has suffered the past few years have caused wells and area lakes to become dangerously low and in some cases inoperable to provide the region's community public drinking water. The rains that we have received in the past year have given the region some much needed breathing room but the District aims to stay ahead of the next drought by cooperatively determining short term and long term goals to obtaining water rights, and needed infrastructure improvements to enable the District to provide member communities with affordable drinking water.

CONCLUSION

The basic financial statements are for the purpose of providing our customers, the four cities, the Texas Water Development Board and any other pertinent regulatory bodies or creditors, with a general overview of the District's finances. If you have any questions regarding these basic financial statements, you may contact White River Municipal Water District at (806) 263-4240.

White River Municipal Water District

A handwritten signature in black ink, appearing to read "Shane Jones". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Shane Jones / General Manager

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2017

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 679,070 | \$ 1,738,560 | \$ 2,417,630 |
| Cash in Escrow | 10,022 | | 10,022 |
| Accounts Receivable (Net of Allowances) | 126,908 | 33,602 | 160,510 |
| Special Assessments Receivable | 2,511 | | 2,511 |
| Grants Receivable | 86,353 | | 86,353 |
| Other Assets | | 5,920 | 5,920 |
| Capital Assets, Net of Accumulated Depreciation | | | |
| Non-Depreciable Assets | | | |
| Land | 934,460 | 294,980 | 1,229,440 |
| Construction Work in Progress | 549,383 | 18,000 | 567,383 |
| Depreciable Assets | | | |
| Buildings | 38,786 | | 38,786 |
| Improvements Other than Buildings | 12,911 | 195,646 | 208,557 |
| Machinery and Equipment | 132,479 | 192,328 | 324,807 |
| Water Infrastructure | 3,599,084 | | 3,599,084 |
| Other Noncurrent Assets | | | |
| Current Portion Due from Member Cities | 22,917 | | 22,917 |
| Due from Member Cities | 935,000 | | 935,000 |
| Net Pension Asset | 286,755 | 75,320 | 362,075 |
| Total Assets | <u>\$ 7,416,639</u> | <u>\$ 2,554,356</u> | <u>\$ 9,970,995</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Plan - Experience Differences | \$ 17,230 | \$ 4,526 | \$ 21,756 |
| Pension Plan - Changes of Assumptions | 12,698 | 3,335 | 16,033 |
| Pension Plan - Earnings Differences | 96,551 | 25,361 | 121,912 |
| Total Deferred Outflows of Resources | <u>\$ 126,479</u> | <u>\$ 33,222</u> | <u>\$ 159,701</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 158,076 | \$ 12,149 | \$ 170,225 |
| Retainage Payable | 72,735 | | 72,735 |
| Accrued Wages Payable | 9,233 | 3,376 | 12,609 |
| Other Current Liabilities | 225 | | 225 |
| Unearned Revenue | 1,085 | | 1,085 |
| Noncurrent Liabilities | | | |
| Accrued Leave | 10,422 | | 10,422 |
| Current Portion of Long Term | 25,000 | | 25,000 |
| Long Term Debt | 935,000 | | 935,000 |
| Total Liabilities | <u>\$ 1,211,776</u> | <u>\$ 15,525</u> | <u>\$ 1,227,301</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Plan - Experience Differences | \$ 141,839 | \$ 37,256 | \$ 179,095 |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 5,267,103 | \$ 700,954 | \$ 5,968,057 |
| Restricted for: | | | |
| Debt Retirement | 48,950 | | 48,950 |
| Water Development - Capital Projects | 244,620 | | 244,620 |
| Unrestricted | 628,830 | 1,833,843 | 2,462,673 |
| Total Net Position | <u>\$ 6,189,503</u> | <u>\$ 2,534,797</u> | <u>\$ 8,724,300</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | Expenses | Program Revenues Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | | |
|-------------------------------------|--------------|--|---|-----------------------------|----------------|
| | | | Primary Government | | Total |
| | | | Governmental Activities | Business-Type Activities | |
| Net (Expense) Revenue | | | | | |
| Primary Government: | | | | | |
| Administration | \$ 248,531 | \$ | \$ (248,531) | \$ | \$ (248,531) |
| Plant | 693,075 | 474,000 | (219,075) | | (219,075) |
| Maintenance | 516,534 | | (516,534) | | (516,534) |
| Interest Expense and Fees | 37,238 | | (37,238) | | (37,238) |
| Total Governmental Activities | \$ 1,495,378 | \$ 474,000 | \$ (1,021,378) | \$ 0 | \$ (1,021,378) |
| Business-Type Activities: | | | | | |
| Recreation | \$ 231,397 | \$ 11,724 | \$ | \$ (219,673) | \$ (219,673) |
| Law Enforcement | 58,194 | | | (58,194) | (58,194) |
| Total Business-Type Activities | \$ 289,591 | \$ 11,724 | \$ 0 | \$ (277,867) | \$ (277,867) |
| Total Primary Government | \$ 1,784,969 | \$ 485,724 | \$ (1,021,378) | \$ (277,867) | \$ (1,299,245) |
| General Revenues (Expenses): | | | | | |
| Charges for Services | | | \$ 1,283,356 | \$ 495,461 | \$ 1,778,817 |
| Special Assessments | | | 49,317 | | 49,317 |
| Unrestricted Investment Earnings | | | 393 | 8,422 | 8,815 |
| Miscellaneous | | | 53,344 | 734 | 54,078 |
| Transfers | | | (231,200) | 231,200 | |
| Total General Revenues | | | \$ 1,155,210 | \$ 735,817 | \$ 1,891,027 |
| Change in Net Position | | | \$ 133,832 | \$ 457,950 | \$ 591,782 |
| Net Position - Beginning | | | 5,114,637 | 2,038,035 | 7,152,672 |
| Prior Period Adjustments | | | 941,034 | 38,812 | 979,846 |
| Net Position - Ending | | | \$ 6,189,503 | \$ 2,534,797 | \$ 8,724,300 |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Major Water Fund</u> | <u>Major Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------------------|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 385,501 | \$ 293,569 | \$ 679,070 |
| Cash in Escrow | 10,022 | | 10,022 |
| Accounts Receivable | 126,908 | | 126,908 |
| Special Assessments Receivable | | 2,511 | 2,511 |
| Grants Receivable | | 86,353 | 86,353 |
| Total Assets | <u>\$ 522,431</u> | <u>\$ 382,433</u> | <u>\$ 904,864</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 158,076 | \$ | \$ 158,076 |
| Retainage Payable | | 72,735 | 72,735 |
| Accrued Wages | 9,233 | | 9,233 |
| Other Current Liabilities | 225 | | 225 |
| Unearned Revenue | | 1,085 | 1,085 |
| Total Liabilities | <u>\$ 167,534</u> | <u>\$ 73,820</u> | <u>\$ 241,354</u> |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Debt Retirement | \$ | \$ 48,950 | \$ 48,950 |
| Water Development - Capital Projects | | 244,620 | 244,620 |
| Unassigned | 354,897 | 15,043 | 369,940 |
| Total Fund Balances | <u>\$ 354,897</u> | <u>\$ 308,613</u> | <u>\$ 663,510</u> |
| Total Liabilities and Fund Balances | <u>\$ 522,431</u> | <u>\$ 382,433</u> | <u>\$ 904,864</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

| | |
|--|---------------------|
| Total Fund Balance - Governmental Funds Balance Sheet | \$ 663,510 |
| Amounts reported for governmental activities in the Statement of Net position (SNP) are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation). | 5,267,103 |
| Long-term receivables related to conduit debt are not reported in the governmental funds balance sheet. | 957,917 |
| Accrued vacation payable is not recorded in the governmental funds. | (10,422) |
| Long-term debt is not accrued in the funds but is recognized as a liability in the statement of net position. | (960,000) |
| Net pension assets and related deferred outflows and deferred inflows are not reported in the governmental funds. | <u>271,395</u> |
| Net Position of Governmental Activities | <u>\$ 6,189,503</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Major Water Fund</u> | <u>Major Special Revenue Fund</u> | <u>Total</u> |
|---|---------------------------------|---|---------------------|
| REVENUES: | | | |
| Charges for Services | \$ 1,283,356 | \$ | \$ 1,283,356 |
| Special Assessments | | 74,317 | 74,317 |
| Intergovernmental Revenue | | 474,000 | 474,000 |
| Investment Earnings | 272 | 121 | 393 |
| Other Revenue | 53,344 | | 53,344 |
| Total Revenues | <u>\$ 1,336,972</u> | <u>\$ 548,438</u> | <u>\$ 1,885,410</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Administration | \$ 197,238 | \$ | \$ 197,238 |
| Plant | 381,781 | | 381,781 |
| Maintenance | 450,618 | | 450,618 |
| Capital Projects | | 556,278 | 556,278 |
| Debt Service: | | | |
| Principal | | 25,000 | 25,000 |
| Interest | | 37,238 | 37,238 |
| Total Expenditures/Expenses | <u>\$ 1,029,637</u> | <u>\$ 618,516</u> | <u>\$ 1,648,153</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 307,335</u> | <u>\$ (70,078)</u> | <u>\$ 237,257</u> |
| OTHER FINANCIAL SOURCES (USES): | | | |
| Transfers In (Out) | <u>\$ (570,095)</u> | <u>\$ 338,895</u> | <u>\$ (231,200)</u> |
| Total Other Financial Sources (Uses) | <u>\$ (570,095)</u> | <u>\$ 338,895</u> | <u>\$ (231,200)</u> |
| Net Change in Fund Balances | \$ (262,760) | \$ 268,817 | \$ 6,057 |
| Fund Balance - July 1 (Beginning) | 617,657 | 495,829 | 1,113,486 |
| Prior Period Adjustment | <u> </u> | <u>(456,033)</u> | <u>(456,033)</u> |
| Fund Balance - June 30 (Ending) | <u>\$ 354,897</u> | <u>\$ 308,613</u> | <u>\$ 663,510</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | | |
|--|----|------------------|
| Net Change in Fund Balance - Total Governmental Funds | \$ | 6,057 |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because: | | |
| Capital Asset additions are recorded as expenditures in the funds but are capitalized in the statement of net position. | | 595,278 |
| Depreciation is recorded in the statement of activities as an expense but not in governmental fund. | | (283,083) |
| Principal payments are recorded received from Member Cities are recorded as revenues in the governmental fund but excluded in the statement of activities. | | (25,000) |
| Principal payments are recorded as expenditures in governmental fund but excluded in the statement of activities. | | 25,000 |
| Change in accrued compensated absences is not recorded in the funds. | | (10,422) |
| Changes in the net pension assets and related deferred outflows and inflows are not reported in the governmental funds. | | <u>(173,998)</u> |
| Change in Net Position of Governmental Activities | \$ | <u>133,832</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-7

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

| | <u>Major Recreation Fund</u> |
|---|--------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,738,560 |
| Accounts Receivable (Net of Allowances) | 33,602 |
| Other Assets | 5,920 |
| Capital Assets, Net of Accumulated Depreciation | |
| Land | 294,980 |
| Construction Work in Progress | 18,000 |
| Improvements Other than Buildings | 195,646 |
| Machinery and Equipment | 192,328 |
| Net Pension Asset | 75,320 |
| Total Assets | <u>\$ 2,554,356</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension Plan - Experience Differences | \$ 4,526 |
| Pension Plan - Changes of Assumptions | 3,335 |
| Pension Plan - Earnings Differences | 25,361 |
| Total Deferred Outflows of Resources | <u>\$ 33,222</u> |
| LIABILITIES | |
| Accounts Payable | \$ 12,149 |
| Accrued Wages Payable | 3,376 |
| Total Liabilities | <u>\$ 15,525</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension Plan - Experience Differences | <u>\$ 37,256</u> |
| NET ASSETS | |
| Net Investment in Capital Assets | \$ 700,954 |
| Unrestricted | 1,833,843 |
| Total Net Assets | <u><u>\$ 2,534,797</u></u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Major Recreation Fund</u> |
|---|--------------------------------------|
| OPERATING REVENUES | |
| Sale of Permits | \$ 156,929 |
| Lot Rentals | 145,147 |
| Water Sales | 145,181 |
| Annual Trash Fees | 27,960 |
| Other Operating Income | 20,244 |
| Total Operating Revenues | <u>\$ 495,461</u> |
| OPERATING EXPENSES | |
| Recreation | |
| Personnel, Benefits, and Cost of Services | \$ 70,063 |
| Contractual Services | 43,424 |
| Utilities | 5,976 |
| Supplies | 23,544 |
| Insurance | 6,516 |
| Administration | 28,688 |
| Depreciation | 53,186 |
| Law Enforcement | |
| Personnel, Benefits, and Cost of Services | 52,157 |
| Repairs and Maintenance | 1,929 |
| Supplies | 1,895 |
| Insurance | 1,612 |
| Administration | 601 |
| Total Operating Expense | <u>\$ 289,591</u> |
| Operating Income | <u>\$ 205,870</u> |
| NONOPERATING REVENUES (EXPENSE) | |
| Intergovernmental | \$ 11,724 |
| Investment Earnings | 8,422 |
| Miscellaneous Revenue | 734 |
| Total Nonoperating Revenues | <u>\$ 20,880</u> |
| Income Before Transfers | <u>\$ 226,750</u> |
| TRANSFERS | |
| Transfers In | <u>\$ 231,200</u> |
| Change in Net Position | \$ 457,950 |
| TOTAL NET POSITION - BEGINNING | 2,038,035 |
| PRIOR PERIOD ADJUSTMENT | <u>38,812</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 2,534,797</u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-9

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Major Recreation Fund</u> |
|---|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts From Customers | \$ 476,990 |
| Payments to Suppliers | (102,037) |
| Payments to Employees | (88,662) |
| Net Cash Provided by Operating Activities | <u>\$ 286,291</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Net Transfers | \$ 231,200 |
| Receipts from Grantors | 11,724 |
| Net Cash Provided by Noncapital Financing Activities | <u>\$ 242,924</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Additions of Property and Equipment | \$ (131,707) |
| Net Cash Used in Capital and Related Financing Activities | <u>\$ (131,707)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Earned on Investments | \$ 8,422 |
| Miscellaneous Receipts | 734 |
| Net Cash Provided by Investing Activities | <u>\$ 9,156</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | \$ 406,664 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,331,896</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 1,738,560</u></u> |
| Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities | |
| Operating Income | <u>\$ 205,870</u> |
| Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities: | |
| Depreciation and Amortization | \$ 53,186 |
| Change in Assets and Liabilities: | |
| Receivables | (18,471) |
| Pension Plan - Deferred Outflows | 5,590 |
| Accounts Payable | 12,149 |
| Accrued Wages | 3,375 |
| Net Pension Asset | (12,664) |
| Pension Plan - Deferred Inflows | <u>37,256</u> |
| | <u>\$ 80,421</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 286,291</u></u> |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. REPORTING ENTITY

The financial statements of White River Municipal Water District (the District) consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The District is comprised of a twelve member board. The board is comprised of three representatives from each of the member cities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

The District's combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

ORGANIZATION

The District was created by an Act as a conservation and reclamation district under Article 16, Section 59 of the Constitution of Texas and constitutes a governmental agency and body politic and corporate. The District, is comprised of the cities of Spur, Ralls, Post, and Crosbyton, and was original created on May 14, 1957.

BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's general fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's bulk waters sales to members and special revenue activities are classified as governmental activities. The District's water services to residential and commercial customers are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental activities and business-type activities are presented by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (administration, plant, maintenance, recreation, and law enforcement). The functions are also supported by general government revenues (charges for services, special assessments, investment earnings, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column, if any, reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (charges for services, special assessments, investment earnings, etc.).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements. The District does not have any nonmajor funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of charges for water to residential and commercial customers. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under modified accrual accounting. However, debt service expenditures, accrued leave, and pension expenditures are recorded only when payment is due.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENTAL FUND TYPES

The District reports the following governmental funds:

Water Fund (General Fund) (Major) – This fund is established to account for resources used for water operations. All service revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and undesignated fund balances are considered resources available for current operations.

Additionally, the government reports the following fund type:

Special Revenue Fund (Major) – This is a fund used to account for the proceeds and expenditures thereof, for restricted revenues mainly related to infrastructure grants.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the District:

Recreation Fund (Major) – This fund is used to account for water sales to residential and commercial customers and related expenses (recreation and law enforcement) associated with providing those services.

A proprietary fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, to be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include infrastructure, buildings, improvements other than buildings, machinery and equipment, and work in progress are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful lives are not capitalized.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit employees to accumulate earned but unused leave benefits, which will be paid at termination. This liability is recorded in the government-wide financial statements.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. During April or May of the current fiscal year, the District prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

FUND EQUITY

The District applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the District will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The District reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the District's right to assess, levy, or charge fees to be used for a specific purpose, which must be used to repay debt. Legal enforceability means that the District can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors. Committed amounts cannot be used for any other purposes unless the Board removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Manager or (b) an appointed body (Special Committees for the Board) or official to which the Board has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Unassigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the District itself.

NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets and due from member cities less accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Retirement – this component represents net position available for retirement of bond principal and interest on outstanding bonds.

Restricted for Water Development – this component represents amounts restricted for infrastructure and other capital needs.

Unrestricted – the difference between assets and deferred outflows, and liabilities and deferred inflows that is not reported in Net Position Net Investment in Capital Assets or Restricted for Debt Service and Water Development.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

3. FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The District has defined cash and cash equivalents to include cash in bank and certificates of deposit with a maturity date of less than one year.

CASH IN ESCROW

The District has grant proceeds related to grant programs that has been put in escrow as of June 30, 2017. The District will receive the funds from escrow as they fulfill requirements imposed by the granting agency. As of June 30, 2017 the District had \$10,022 in escrow related to a Texas Water Development Board Grant that had not yet been transferred to the District.

CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (Yrs)</u> |
|-----------------------------------|---|
| Buildings | 10 - 40 |
| Improvements Other Than Buildings | 10 - 30 |
| Machinery and Equipment | 5 - 10 |
| Water Infrastructure | 10 - 100 |

DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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 of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy addresses the investment risks identified in GASB Statement No. 40. The District limits its exposure to investment risks by investing in local government investment pools and government securities.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board require or permit in the statements at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: 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. The District's investments as of June 30, 2017 were all considered Level 1.

The carrying amount of the District's cash and cash equivalents at June 30, 2017, approximates fair value and consisted of Cash in Bank and Certificates of Deposit with a maturity date of one year or less.

In compliance with the Act, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The District is not exposed to custodial credit risk for its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. **Concentration of Credit Risk –** The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. government obligations, obligations explicitly guaranteed by the U.S. Government, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At June 30, 2017, all of the District's investments certificates of deposit with various banks, and as such the District has no risk.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

- c. Credit Risk – The risk that an issuer of 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 June 30, 2017, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments certificates of deposit averages less than 12 months.
- e. Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

INTERFUND ACTIVITY

Interfund Activity is reported as interfund balances or transfers. Interfund Balances represent interfund receivables and payables as appropriate and are reported as a single line in the government-wide Statement of Net Position as "Internal Balances." All other interfund transactions are treated as transfers. Transfers In and Out are netted and presented as a single line "Transfers" on the government-wide Statement of Activities.

MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4. ACCOUNTS RECEIVABLE

As of June 30, 2017 the District's accounts receivable consisted of the following:

| | Total | Estimated | Net |
|---------------------------------|--------------------|------------------------------------|--------------------|
| | <u>Receivables</u> | <u>Allowances for Bad Debt</u> | <u>Receivables</u> |
| Governmental Activities: | | | |
| Member Cities - Water Sales | \$ 113,462 | \$ | \$ 113,462 |
| George Brown - Water Sales | 2,164 | | 2,164 |
| Line Meters - Water Sales | 11,282 | | 11,282 |
| Total Governmental Activities: | <u>\$ 126,908</u> | <u>\$ 0</u> | <u>\$ 126,908</u> |
| Business-Type Activities: | | | |
| Permit Fees - Marina | \$ 20,200 | \$ | \$ 20,200 |
| Lake Meters - Water Sales | 13,205 | (1,511) | 11,694 |
| Other | 1,708 | | 1,708 |
| Total Business-Type Activities: | <u>\$ 35,113</u> | <u>\$ (1,511)</u> | <u>\$ 33,602</u> |
| Primary Government | <u>\$ 162,021</u> | <u>\$ (1,511)</u> | <u>\$ 160,510</u> |

5. DUE FROM MEMBER CITIES

The following is a summary of the amount due from member cities for debt service payments as of June 30, 2017:

| | Total Debt | Remaining | Current |
|--------------------------------|--|--------------------------------------|------------------|
| | <u>Outstanding on Behalf of City</u> | <u>Principal Due to District</u> | <u>Portion</u> |
| Governmental Activities: | | | |
| City of Ralls | \$ 189,888 | \$ 189,476 | \$ 4,533 |
| City of Post | 390,336 | 389,489 | 9,318 |
| City of Spur | 211,008 | 210,550 | 5,037 |
| City of Crosbyton | 168,768 | 168,402 | 4,029 |
| Total Governmental Activities: | <u>\$ 960,000</u> | <u>\$ 957,917</u> | <u>\$ 22,917</u> |

This receivable is related to debt issued through the Texas Water Development Board in the Cities' names. See the Long-Term Debt note for more information.

6. ACCRUED LEAVE

Employees of the District are entitled to two to three weeks of paid vacation a year depending on length of service. Upon leaving the district any unused vacation is paid to the employee. As of June 30, 2017 the liability for the District was \$10,422.

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

7. CAPITAL ASSET ACTIVITY

Governmental Activities:

Capital asset activity for the District for the year ended June 30, 2017 was as follows:

| <u>Assets:</u> | Balance 7/1/2016 | Additions | Retirements | Balance 6/30/2017 |
|------------------------------------|---------------------|------------|-------------|----------------------|
| Land | \$ 934,460 | \$ | \$ | \$ 934,460 |
| Buildings | 138,399 | 39,000 | | 177,399 |
| Improvements Other than Buildings | 93,329 | | | 93,329 |
| Machinery and Equipment | 621,487 | | 39,803 | 581,684 |
| Water Infrastructure | 8,551,809 | 45,895 | | 8,597,704 |
| Construction Work in Progress | 39,000 | 510,383 | | 549,383 |
| Totals | \$ 10,378,484 | \$ 595,278 | \$ 39,803 | \$ 10,933,959 |
| <u>Accumulated Depreciation:</u> | | | | |
| Buildings | \$ 119,663 | \$ 18,950 | \$ | \$ 138,613 |
| Improvements Other than Buildings | 78,112 | 2,306 | | 80,418 |
| Machinery and Equipment | 455,149 | 33,859 | 39,803 | 449,205 |
| Water Infrastructure | 4,770,652 | 227,968 | | 4,998,620 |
| Totals | \$ 5,423,576 | \$ 283,083 | \$ 39,803 | \$ 5,666,856 |
| Capital Assets, Net of Accumulated | \$ 4,954,908 | \$ 312,195 | \$ 0 | \$ 5,267,103 |

Current year depreciation expense was charged to the Plant function in the Statement of Activities.

Business-Type Activities:

Capital asset activity for the District for the year ended June 30, 2017 was as follows:

| <u>Assets:</u> | Balance 7/1/2016 | Additions | Retirements | Balance 6/30/2017 |
|------------------------------------|---------------------|------------|-------------|----------------------|
| Land | \$ 294,980 | \$ | \$ | \$ 294,980 |
| Improvements Other than Buildings | 435,554 | 48,795 | | 484,349 |
| Machinery and Equipment | 438,165 | 64,912 | 38,690 | 464,387 |
| Construction Work in Progress | | 18,000 | | 18,000 |
| Totals | \$ 1,168,699 | \$ 131,707 | \$ 38,690 | \$ 1,261,716 |
| <u>Accumulated Depreciation:</u> | | | | |
| Improvements Other than Buildings | \$ 247,473 | \$ 41,230 | \$ | \$ 288,703 |
| Machinery and Equipment | 298,793 | 11,956 | 38,690 | 272,059 |
| Totals | \$ 546,266 | \$ 53,186 | \$ 38,690 | \$ 560,762 |
| Capital Assets, Net of Accumulated | \$ 622,433 | \$ 78,521 | \$ 0 | \$ 700,954 |

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

8. LONG-TERM DEBT

Long-Term debt includes the Series 2013 Water System Revenue Bonds which were originally issued in the amount of \$1,050,000 on September 18, 2013. The bonds carrying varying interest rates ranging from 0.14% to 4.37% and mature on June 1, 2043.

During the year the District paid \$25,000 in principal and \$37,920 in interest related to these bonds. The ending outstanding balance on this issuance was \$960,000.

Debt Service Requirements on the bonds as of June 30, 2017 are as follows:

| <u>Fiscal Year(s)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|-------------------|-------------------|---------------------|
| 2018 | \$ 25,000 | \$ 36,985 | \$ 61,985 |
| 2019 | 25,000 | 36,640 | 61,640 |
| 2020 | 25,000 | 36,176 | 61,176 |
| 2021 | 25,000 | 35,610 | 60,610 |
| 2022 | 25,000 | 34,961 | 59,961 |
| 2023-2027 | 140,000 | 162,599 | 302,599 |
| 2028-2032 | 170,000 | 134,115 | 304,115 |
| 2033-2037 | 210,000 | 95,937 | 305,937 |
| 2038-2042 | 255,000 | 47,440 | 302,440 |
| 2043 | 60,000 | 2,622 | 62,622 |
| | <u>\$ 960,000</u> | <u>\$ 623,085</u> | <u>\$ 1,583,085</u> |

The amount of debt owed to the District by Member City and payable by Member City is as follows:

| <u>Fiscal Year(s)</u> | <u>City of Post</u> | | <u>City of Ralls</u> | | <u>City of Crosbyton</u> | | <u>City of Spur</u> | |
|-----------------------|---------------------|-------------------|----------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 10,165 | \$ 15,027 | \$ 4,945 | \$ 7,310 | \$ 4,395 | \$ 6,497 | \$ 5,495 | \$ 8,123 |
| 2019 | 10,165 | 14,882 | 4,945 | 7,240 | 4,395 | 6,435 | 5,495 | 8,045 |
| 2020 | 10,165 | 14,690 | 4,945 | 7,146 | 4,395 | 6,351 | 5,495 | 7,941 |
| 2021 | 10,165 | 14,457 | 4,945 | 7,033 | 4,395 | 6,251 | 5,495 | 7,815 |
| 2022 | 10,165 | 14,191 | 4,945 | 6,903 | 4,395 | 6,136 | 5,495 | 7,671 |
| 2023-2027 | 57,093 | 65,950 | 27,774 | 32,083 | 24,685 | 28,514 | 30,864 | 35,651 |
| 2028-2032 | 69,461 | 54,300 | 33,791 | 26,415 | 30,033 | 23,477 | 37,549 | 29,353 |
| 2033-2037 | 85,555 | 38,706 | 41,620 | 18,829 | 36,991 | 16,735 | 46,250 | 20,924 |
| 2038-2042 | 104,191 | 18,914 | 50,686 | 9,201 | 45,049 | 8,178 | 56,324 | 10,225 |
| 2043 | 22,363 | 977 | 10,879 | 475 | 9,669 | 423 | 12,089 | 528 |
| | <u>\$ 389,489</u> | <u>\$ 252,093</u> | <u>\$ 189,476</u> | <u>\$ 122,637</u> | <u>\$ 168,402</u> | <u>\$ 108,997</u> | <u>\$ 210,550</u> | <u>\$ 136,277</u> |

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. INTERFUND TRANSFERS

Interfund Transfers during the year ended June 30, 2017 are as follows:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Interest</u> | <u>Description of Transfer</u> |
|--------------------|----------------------|-------------------|------------------------------------|
| Water Fund | Special Revenue Fund | \$ 338,895 | Local Match and Grant Expenditures |
| Water Fund | Recreation Fund | 13,200 | Fund Fleet Maintenance |
| Water Fund | Recreation Fund | 18,000 | Transfer Asset to Recreation Fund |
| Water Fund | Recreation Fund | 200,000 | Budgeted Operating Transfers |
| | | <u>\$ 570,095</u> | |

10. PENSION PLAN – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)

Plan Description:

The District provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 739 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the 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. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after ten years of service.

Members are vested after ten 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.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and 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 Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2016.

| | | |
|---|----|-------------------------|
| Total Pension Liability | \$ | 1,938,849 |
| Plan Fiduciary Net Position | | <u>2,300,924</u> |
| Plan Net Pension (Asset) | \$ | <u><u>(362,075)</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 118.67% |

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with 8 years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2016 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2016 included (a) an 8.00% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.90%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 0.00% for 2016. The deposit rate payable by employee members is the rate of 7.00% 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 Texas state statutes governing TCDRS.

| | Contribution Rates | |
|----------|--------------------|-------|
| | 2015 | 2016 |
| Member | 7.00% | 7.00% |
| Employer | 0.00% | 0.00% |

| | Contributions | |
|----------|------------------|------------------|
| | 2015 | 2016 |
| Member | \$ 24,672 | \$ 26,242 |
| Employer | | |
| Total | <u>\$ 24,672</u> | <u>\$ 26,242</u> |

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|-------------------|
| Valuation Date | December 31, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | |
| Smoothing Period | Five years |
| Recognition Method | Non-asymptotic |
| Corridor | None |
| Remaining Amortization Period | 0.00 Years |
| Discount Rate | 8.10% |
| Long-Term Expected Investment | |
| Rate of Return* | 8.00% |
| Salary Increases* | 4.90% |
| Payroll Growth Rate | 3.50% |

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of the District's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a two-year set-forward for males and a four-year setback for females.

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2016 are summarized below:

| Asset Class | Target Allocation** | Long-Term Expected Portfolio Real Rate of Return* |
|------------------------------------|---------------------|---|
| U.S. Equities | 13.50% | 4.70% |
| Private Equity | 16.00% | 7.70% |
| Global Equities | 1.50% | 5.00% |
| International Equities - Developed | 10.00% | 4.70% |
| International Equities - Emerging | 7.00% | 5.70% |
| Investment-Grade Bonds | 3.00% | 60.00% |
| High-Yield Bonds | 3.00% | 3.70% |
| Opportunistic Credit | 2.00% | 3.83% |
| Direct Lending | 10.00% | 8.15% |
| Distressed Debt | 3.00% | 6.70% |
| REIT Equities | 2.00% | 3.85% |
| Master Limited Partnerships | 3.00% | 5.60% |
| Private Real Estate Partnerships | 6.00% | 7.20% |
| Hedge Funds | 20.00% | 3.85% |
| Total | 100.00% | |

* - Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions

** - Target asset allocation adopted at the April 2017 TCDRS Board Meeting

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the 2016 Net Pension Asset.

| | 1% Decrease in Discount Rate (7.1%) | Discount Rate (8.1%) | 1% Increase in Discount Rate (9.1%) |
|---------------------------------|--|----------------------|--|
| Total Pension Liability | \$ 2,133,259 | \$ 1,938,849 | \$ 1,771,685 |
| Fiduciary Net Position | 2,300,923 | 2,300,924 | 2,300,923 |
| Net Pension Liability / (Asset) | \$ (167,664) | \$ (362,075) | \$ (529,238) |

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2016, the District reported an asset of \$362,075 for its proportionate share of the TCDRS Net Pension Asset.

The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2016 through December 31, 2016.

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

At December 31, 2016, the District reported its proportionate share of the TCDRS deferred outflows (inflows) of resources related to pensions from the following sources:

| | <u>Deferred (Inflows) Outflows of Resources</u> |
|---|---|
| Differences Between Expected and Actual Economic Experience | \$ (157,339) |
| Changes in Assumptions | 16,033 |
| Net Difference Between Projected and Actual Earnings | <u>121,912</u> |
| Total | <u>\$ (19,394)</u> |

The net amounts of the employer's balances of deferred outflows related to pensions will be recognized in pension expense as follows:

| | <u>Pension Expense Amount</u> |
|------|-----------------------------------|
| 2017 | \$ 20,166 |
| 2018 | 18,237 |
| 2019 | 12,538 |
| 2020 | (34,516) |
| 2021 | <u>(35,819)</u> |
| | <u>\$ (19,394)</u> |

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

At December 31, 2016, the District reported deferred resource outflows (inflows) for the TCDRS pension plan as follows:

| | Deferred (Inflows) Outflows of Resources |
|--|--|
| Total Net Amounts as of December 31, 2015 Measurement Date | \$ 209,173 |
| Experience Differences | (214,914) |
| Assumption Changes or Inputs | 0 |
| Earnings Differences | 6,513 |
| Amortization of Deferred (Inflows) Outflows | (20,166) |
| Total Net Amounts as of December 31, 2016 | \$ <u>(19,394)</u> |

Pension Expense

Pension expense for the plan for the year ended December 31, 2016 was \$204,179 and was calculated as follows:

| | Pension Expense |
|--|--------------------|
| Service Cost | \$ 38,303 |
| Interest on Total Pension Liability | 164,192 |
| Administrative Expenses | 1,918 |
| Member Contributions | (26,486) |
| Expected Investment Return Net of Investment Expenses | (183,472) |
| Amortization of Deferred Inflows and Outflows of Resources | 20,166 |
| Other | 189,558 |
| Total Net Amounts as of December 31, 2016 | \$ <u>204,179</u> |

Employees Covered by Benefit Terms:

At the December 31, 2016 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

| | |
|--|-----------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 6 |
| Inactive Employees Entitled to but not Yet Receiving Benefits | 5 |
| Active Employees | 8 |
| Total Plan Employees | <u>19</u> |

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

11. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2017 the District posted the following prior period adjustments.

| Description | Increase (Decrease) on Fund Balance / Net Position | Opinion Units Restated |
|--|---|--|
| Recorded Deferred Outflows of Resources related to pension plan reporting under GASB 68. | \$ 38,812 | Statement of Net Position - Business-Type Activities and Statement of Net Position - Proprietary Fund. |
| Removed Cash in Escrow related to grant fund not yet earned from the grantor agency. | (456,033) | Special Revenue Fund and Statement of Net Position - Governmental Activities |
| Recorded Deferred Outflows of Resources related to pension plan reporting under GASB 68. | 170,362 | Statement of Net Position - Governmental Activities |
| Recorded Due from Member Cities for Debt issued in the member cities' names. | 982,917 | Statement of Net Position - Governmental Activities |
| Recorded prior year depreciation and amortization on reservoir and dam and water studies based on recommended rates. | (741,212) | Statement of Net Position - Governmental Activities |
| Recognized grant revenue earned in prior years that was being deferred as forgivable long-term debt. | 985,000 | Statement of Net Position - Governmental Activities |

12. RELATED PARTIES

| Cities | Water Sales | Accounts Receivable 6/30/2017 | Principal Collections |
|-----------|---------------------|-------------------------------------|--------------------------|
| Post | \$ 468,189 | \$ 43,061 | \$ 10,165 |
| Ralls | 211,679 | 20,727 | 4,945 |
| Crosbyton | 228,192 | 28,168 | 4,395 |
| Spur | 226,882 | 21,506 | 5,495 |
| Total | <u>\$ 1,134,942</u> | <u>\$ 113,462</u> | <u>\$ 25,000</u> |

Post, Ralls, Crosbyton, and Spur are member cities and are entitled to Board representation.

13. LITIGATION

At the present time the District is not involved with any legal proceedings incident to the business which would result in any material losses to the District.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 3, 2017, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**WHITE RIVER MUNICIPAL WATER DISTRICT
DEFINED BENEFIT RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION ASSET AND RELATED RATIOS
JUNE 30, 2017**

Exhibit B-1

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

| | <u>12/31/2014</u> | <u>12/31/2015</u> | <u>12/31/2016</u> |
|--|----------------------------|----------------------------|----------------------------|
| | Total Pension Liability | Total Pension Liability | Total Pension Liability |
| Service Cost | \$ 47,285 | \$ 30,673 | \$ 38,305 |
| Interest on Total Pension Liability | 150,929 | 155,565 | 164,192 |
| Effect of Plan Changes | | 5,078 | |
| Effect of Economic/Demographic Gains and Losses | 7,714 | 33,045 | (214,914) |
| Effect of Assumptions Changes or Inputs | | 26,721 | |
| Benefit Payments/Refunds of Contributions | <u>(159,353)</u> | <u>(152,801)</u> | <u>(111,854)</u> |
| Net Change | \$ 46,575 | \$ 98,281 | \$ (124,271) |
| Beginning Balance | 1,918,264 | 1,964,839 | 2,063,120 |
| Ending Balance | <u>\$ 1,964,839</u> | <u>\$ 2,063,120</u> | <u>\$ 1,938,849</u> |
| | <u>Fiduciary</u> | <u>Fiduciary</u> | <u>Fiduciary</u> |
| | Net Position | Net Position | Net Position |
| Member Contributions | \$ 26,230 | \$ 24,672 | \$ 26,485 |
| Net Investment Income | 165,697 | 22,720 | 176,959 |
| Benefit Payments/Refunds of Contributions | (159,353) | (152,801) | (111,854) |
| Administrative Expenses | (1,884) | (1,743) | (1,917) |
| Other | <u>1,022</u> | <u>36,396</u> | <u>(189,558)</u> |
| Net Change | \$ 31,712 | \$ (70,756) | \$ (99,885) |
| Beginning Balance | 2,439,853 | 2,471,565 | 2,400,809 |
| Ending Balance | <u>\$ 2,471,565</u> | <u>\$ 2,400,809</u> | <u>\$ 2,300,924</u> |
| Net Pension Liability (Asset) | <u>\$ (506,726)</u> | <u>\$ (337,689)</u> | <u>\$ (362,075)</u> |
| Fiduciary Net Position as a Percentage of Total Pension Liability | 125.79% | 116.37% | 118.67% |
| Pensionable Covered Payroll | \$ 374,708 | \$ 352,454 | \$ 378,374 |
| Net Pension Liability as a Percentage of Covered Payroll | -135.23% | -95.81% | -95.69% |

Note: Only three years of GASB 68 Data Available as of 06/30/2017. The remaining seven years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

**WHITE RIVER MUNICIPAL WATER DISTRICT
DEFINED BENEFIT RETIREMENT PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2017**

Exhibit B-2

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

| | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> |
|--|------------------|------------------|------------------|
| Actuarially Determined Contribution | \$ | \$ | \$ |
| Actual Employer Contribution | | | |
| Contribution Deficiency (Excess) | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| Pensionable Covered Payroll | \$ 374,708 | \$ 352,454 | \$ 374,879 |
| Actual Contribution as a Percentage of Pensionable Covered Payroll | 0.00% | 0.00% | 0.00% |

Note: Only three years of GASB 68 data available as of 6/30/2017. The remaining seven years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

-40-
WHITE RIVER MUNICIPAL WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
WATER FUND
JUNE 30, 2017

Exhibit B-3

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

| | General Fund | | | Variance |
|--|---------------------|---------------------|---------------------|------------------------|
| | Original Budget | Amended Budget | Actual | Positive (Negative) |
| REVENUES | | | | |
| Charges for Services | \$ 1,188,000 | \$ 1,188,000 | \$ 1,283,356 | \$ 95,356 |
| Investment Earnings | | | 272 | 272 |
| Other Revenue | | | 53,344 | 53,344 |
| Total Revenues | <u>\$ 1,188,000</u> | <u>\$ 1,188,000</u> | <u>\$ 1,336,972</u> | <u>\$ 148,972</u> |
| EXPENDITURES | | | | |
| Plant: | | | | |
| Salaries | \$ 100,266 | \$ 101,711 | \$ 80,413 | \$ 21,298 |
| Overtime | 22,500 | 22,500 | 7,479 | 15,021 |
| General Insurance | 8,200 | 8,200 | 8,146 | 54 |
| Hospital Insurance | 30,000 | 30,000 | 20,234 | 9,766 |
| Workers Compensation | 2,250 | 2,250 | 2,250 | 2,250 |
| Office Supplies | 2,500 | 2,500 | 2,199 | 301 |
| Treatment Supplies | 140,000 | 140,000 | 117,186 | 22,814 |
| Repairs / Supplies | 2,500 | 2,500 | 5,919 | (3,419) |
| Electricity | 75,000 | 75,000 | 80,799 | (5,799) |
| Other Utilities | 7,000 | 7,000 | 2,230 | 4,770 |
| Contracted Services | 7,500 | 7,500 | 796 | 6,704 |
| Dues/Lic. | 900 | 900 | 186 | 714 |
| Rentals | 2,000 | 2,000 | 0 | 2,000 |
| Uniforms | 3,182 | 3,182 | 2,865 | 317 |
| Fleet Replacement | 4,400 | 4,400 | | 4,400 |
| Postage | 2,000 | 2,000 | 2,203 | (203) |
| Fuels | 10,000 | 10,000 | 3,974 | 6,026 |
| Lab. Supplies | 10,000 | 10,000 | 6,967 | 3,033 |
| Train.Schools/Travel | 2,000 | 2,000 | 1,186 | 814 |
| Capital Outlay | 25,000 | 25,000 | 39,000 | (14,000) |
| Maintenance: | | | | |
| Salaries | 102,600 | 103,490 | 105,683 | (2,193) |
| Overtime | 22,500 | 22,500 | 13,934 | 8,566 |
| General Insurance | 8,200 | 8,200 | 8,146 | 54 |
| Hospital Insurance | 24,000 | 24,000 | 22,257 | 1,743 |
| Workers Compensation | 2,062 | 2,062 | | 2,062 |
| Supplies | | | 56 | (56) |
| Electricity | 150,000 | 150,000 | 119,649 | 30,351 |
| Other Utilities | 6,000 | 6,000 | 4,016 | 1,984 |
| Fuels | 26,000 | 26,000 | 21,288 | 4,712 |
| Train.Schools/Travel | 2,000 | 2,000 | 3,504 | (1,504) |
| Office Supplies | 1,500 | 1,500 | 72 | 1,428 |
| Contracted Services | 15,000 | 15,000 | 7,102 | 7,898 |
| Repairs / Supplies | 145,000 | 145,000 | 141,188 | 3,812 |
| Dues/Lic. | 800 | 800 | 336 | 464 |
| Uniforms | 3,157 | 3,157 | 2,862 | 295 |
| Fleet Replacement | 4,400 | 4,400 | | 4,400 |
| Postage | 500 | 500 | 528 | (28) |
| Capital Outlay | 10,000 | 10,000 | | 10,000 |
| Administration: | | | | |
| Salaries | 100,757 | 103,247 | 104,479 | (1,232) |
| Payroll Taxes | 25,000 | 25,000 | 23,337 | 1,663 |
| Unemployment Tax | 1,700 | 1,700 | (7,538) | 9,238 |
| Office Supplies | 3,000 | 3,000 | 3,448 | (448) |
| Telephone | 12,000 | 12,000 | 12,646 | (646) |
| Train School/Travel | 6,000 | 6,000 | 2,182 | 3,818 |
| General Insurance | 8,200 | 8,200 | 8,836 | (636) |
| Hospital Insurance | 14,000 | 14,000 | 12,943 | 1,057 |
| Workers Compensation | 2,250 | 2,250 | 2,250 | 2,250 |
| Dues | 3,000 | 3,000 | 963 | 2,037 |
| Postage | 1,000 | 1,000 | 563 | 437 |
| Misc. Expenses | 1,500 | 1,500 | 1,899 | (399) |
| Contracted Services | 20,000 | 20,000 | 9,367 | 10,633 |
| Water Fees | | 10,207 | 10,207 | 0 |
| Legal Fees | 20,000 | 20,000 | 5,791 | 14,209 |
| Engineering | 15,000 | 15,000 | 1,765 | 13,235 |
| Trustee Bank Fees | | 1,250 | 1,250 | 0 |
| Retirement Plan | | | 1,678 | (1,678) |
| Fleet Replacement | 4,400 | 4,400 | | 4,400 |
| Repairs | 5,000 | 5,000 | 2,601 | 2,399 |
| Uniforms | 1,000 | 1,000 | 817 | 183 |
| Total Expenditures | <u>\$ 1,224,724</u> | <u>\$ 1,241,006</u> | <u>\$ 1,029,637</u> | <u>\$ 211,369</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (36,724)</u> | <u>\$ (53,006)</u> | <u>\$ 307,335</u> | <u>\$ 360,341</u> |
| Other Financing Sources (Uses): Transfers Out | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (570,095)</u> | <u>\$ 0</u> |
| Net Changes in Fund Balance | <u>\$ (36,724)</u> | <u>\$ (53,006)</u> | <u>\$ (262,760)</u> | <u>\$ 360,341</u> |
| Fund Balance - July 1 (Beginning) | | | 617,657 | |
| Fund Balance - June 30 (Ending) | | | <u>\$ 354,897</u> | |

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

A. NOTES TO PENSION SCHEDULES

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|---|--|
| Actuarial Cost Method | Entry Age. |
| Amortization Method | Level percentage of payroll, closed. |
| Remaining Amortization Period | 0.00 years (based on contribution rate calculated in 12/31/2016 valuation). |
| Asset Valuation Method | 5-year smoothed market. |
| Inflation | 3.00% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation. |
| Investment rate of Return | 8.00%, net of investment expenses, including inflation. |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014. |
| Changes in Plan Provisions Reflected in the Schedule of Employer Contributions: | 2015: No changes in plan provisions. 2016: Employer contributions reflect that a 1% flat COLA was adopted. |

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

Board of Directors
White River Municipal Water District
Spur, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and governmental funds of the White River Municipal Water District, Spur, Texas (the District), as of and for the year ended June 30, 2017, which collectively comprise White River Municipal Water District's basic financial statements and have issued our report thereon dated October 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2017-1]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We noted certain matters that we report to management of the District in a separate letter dated October 3, 2017.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses [2017-1]. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 3, 2017

WHITE RIVER MUNICIPAL WATER DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Current Year's Findings: [2017-1]

Condition: Lack of segregation of duties and proper review function.

Criteria: The District has one employee who reconciles and enters all data into the accounting system. Due to the limited number of personnel the District also does not have a proper review function in place for reconciliation and review of accounts in a timely manner.

Cause of Condition: The District is small with a limited number of consumers on which to base the need for more employees.

Recommendation: The District needs to hire another employee or consultant with the ability to properly review/enter data into the accounting system for items that are being completed solely by the current accountant. This will enable items to be reviewed and caught in a timely manner if transactions are entered incorrectly into the accounting software. Alternatively, if the District believes that hiring a new employee or consultant would not be a cost effective solution for the District, an alternative compensating control would be for the General Manager to take greater responsibility as the review function for the entity on a monthly basis.

Client Response: The General Manager will look into taking a bigger role in the review of the accountant's work on a monthly basis to ensure that all accounts are being reconciled properly. The District is also looking into hiring a secretary to help segregate some review processes.