

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }
COUNTY OF Crosby }

I, Nathaniel Shane Jones of the White River Municipal Water District
(Name of Duly Authorized District Representative) (Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the _____ day of _____, _____, its annual audit report for the fiscal period ended June 30, 2018 and that copies of the annual audit report have been filed in the District's office, located at

2880 FM 2794, Spur, Texas 79370
(Address of the District's Office)

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

Date: _____, _____

By: _____
(Signature of District Representative)

Nathaniel Shane Jones, General Manager
(Type Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(Signature of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas.

WHITE RIVER MUNICIPAL WATER DISTRICT

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018, 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, 2018, 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 36 through 38 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 11, 2018 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 11, 2018

**WHITE RIVER MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$9,031,972 (net position) as compared to \$8,724,300 for the previous fiscal year. Of this amount, \$3,032,972 (unrestricted net position) is in an unrestricted position. Net position grew \$307,672 in 2018 as compared to an increase of \$591,782 in 2017.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$755,961, an increase of \$92,451 in comparison with the prior year.
- At June 30, 2018, the unassigned fund balance of the water fund was \$619,640 or 64.68% of total water fund expenditures as compared to \$354,897, or 34.47% 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 \$755,961, which is up from last year's total of \$663,510. 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 decreased due to use of funds for ongoing projects during the year.

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 \$8,724,300 to \$9,031,972. 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 \$2,462,673 to \$3,032,972.

Table I
White River Municipal Water District

NET POSITION

	Governmental Activities 2018	Business-Type Activities 2018	Governmental Activities 2017	Business-Type Activities 2017
Current and Other Assets	\$ 821,264	\$ 2,035,730	\$ 927,781	\$ 1,778,082
Capital Assets	5,187,230	675,449	5,267,103	700,954
Other Noncurrent Assets	1,520,722	169,297	1,221,755	75,320
Deferred Outflows	15,578	4,486	126,479	33,222
Total Assets and Deferred Outflows	<u>\$ 7,544,794</u>	<u>\$ 2,884,962</u>	<u>\$ 7,543,118</u>	<u>\$ 2,587,578</u>
Current and Other Liabilities	\$ 65,303	\$ 23,998	\$ 266,354	\$ 15,525
Long-Term Liabilities	944,602		945,422	
Deferred Inflows	282,513	81,368	141,839	37,256
Total Liabilities and Deferred Inflows	<u>\$ 1,292,418</u>	<u>\$ 105,366</u>	<u>\$ 1,353,615</u>	<u>\$ 52,781</u>
Net Position:				
Net Investment in Capital Assets	\$ 5,187,230	\$ 675,449	\$ 5,267,103	\$ 700,954
Restricted	136,321		293,570	
Unrestricted	928,825	2,104,147	628,830	1,833,843
Total Net Position	<u>\$ 6,252,376</u>	<u>\$ 2,779,596</u>	<u>\$ 6,189,503</u>	<u>\$ 2,534,797</u>

The District's Current and Other Assets increased due to decrease in overall expenses.

The change in Capital Assets includes additions of \$260,574 and annual depreciation of \$365,951. Long-Term Liabilities decreased due to paying down existing debt.

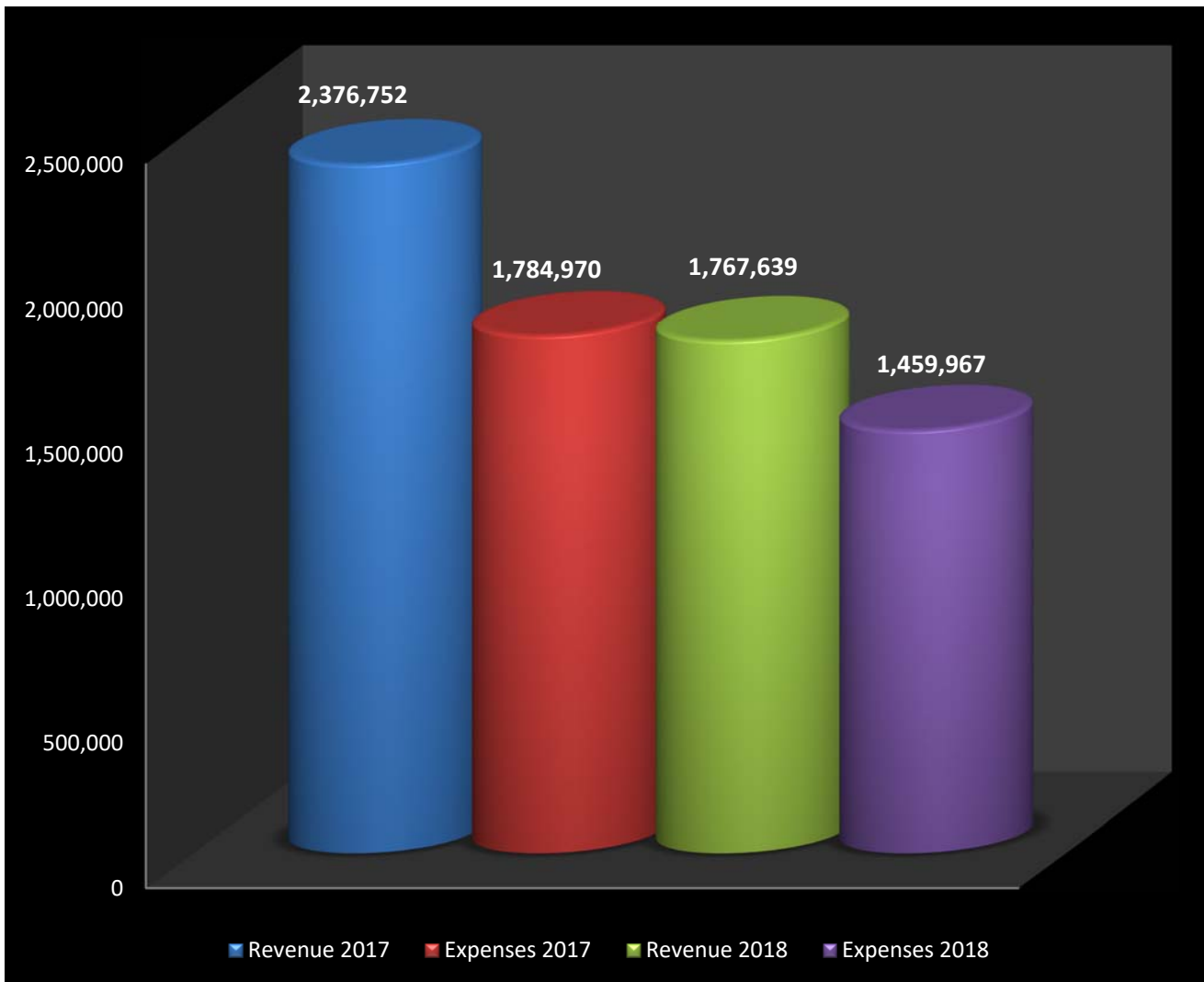
Table II
White River Municipal Water District

CHANGES IN NET POSITION

	Governmental Activities 2018	Business-Type Activities 2018	Governmental Activities 2017	Business-Type Activities 2017
Revenues:				
Charges for Services and Assessments	\$ 1,317,003	\$ 414,509	\$ 1,332,673	\$ 495,461
Operating and Capital Grants			474,000	11,724
Investment and Other Earnings	19,522	16,605	53,737	9,157
Total Revenue	\$ 1,336,525	\$ 431,114	\$ 1,860,410	\$ 516,342
Expenses:				
Administrative	\$ 215,157		\$ 248,531	
Plant	276,993		693,075	
Maintenance	672,107		516,534	
Recreation and Law Enforcement		258,704		289,592
Interest Expense and Fees	37,006		37,238	
Total Expenses	\$ 1,201,263	\$ 258,704	\$ 1,495,378	\$ 289,592
Transfers In (Out)	\$ (72,389)	\$ 72,389	\$ (231,200)	\$ 231,200
Increase in Net Position	\$ 62,873	\$ 244,799	\$ 133,832	\$ 457,950
Net Position at July 1,	6,189,503	2,534,797	6,055,671	2,076,847
Net Position at June 30,	<u>\$ 6,252,376</u>	<u>\$ 2,779,596</u>	<u>\$ 6,189,503</u>	<u>\$ 2,534,797</u>

See the table on the next page for total revenue and expenses for 2018 and 2017.

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 consistent with the prior year.

In 2018 the District's total expenditures decreased due to the decreased spending on grant projects as those contracts were finished during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2018, the District had \$5,862,679 (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 \$935,000 in bonds and obligations outstanding versus \$960,000 last year – a decrease of 2.60%.

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 District is also working with Texas Parks & Wildlife Department (TP&W) on 2 separate grants at the current time. These projects are the White River Multi-Use Trail system and the TP&W Boater Access Grant. These grants will allow the District to update existing infrastructure and create new recreational activities at the lake.

The financial status of the District is fair. The District has not seen a substantial increase in water rates since October 2012. The District, however, did decide to increase water rates \$0.01/ 1,000 gal. for wholesale customers in 2017.

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 White River MWD are calculated based off contractual minimum water use previous year billed water, anticipated recreation fees, and farm rental contracts.

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 stylized and cursive, with a long horizontal stroke at the end.

Shane Jones / General Manager

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 696,453	\$ 2,008,832	\$ 2,705,285
Accounts Receivable (Net of Allowances)	124,401	26,898	151,299
Special Assessments Receivable	410		410
Capital Assets, Net of Accumulated Depreciation			
Non-Depreciable Assets			
Land	934,459	294,980	1,229,439
Construction Work in Progress	220,000	18,000	238,000
Depreciable Assets			
Buildings	36,186		36,186
Improvements Other than Buildings	10,605	210,583	221,188
Machinery and Equipment	136,931	151,886	288,817
Water Infrastructure	3,849,049		3,849,049
Other Noncurrent Assets			
Current Portion Due from Member Cities	22,917		22,917
Due from Member Cities	910,000		910,000
Net Pension Asset	587,805	169,297	757,102
Total Assets	<u>\$ 7,529,216</u>	<u>\$ 2,880,476</u>	<u>\$ 10,409,692</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan - Changes of Assumptions	\$ 15,578	\$ 4,486	\$ 20,064
LIABILITIES			
Accounts Payable	\$ 53,161	\$ 19,054	\$ 72,215
Accrued Wages Payable	9,011	4,944	13,955
Other Current Liabilities	289		289
Unearned Revenue	2,842		2,842
Noncurrent Liabilities			
Accrued Leave	9,602		9,602
Current Portion of Long-Term	25,000		25,000
Long-Term Debt	910,000		910,000
Total Liabilities	<u>\$ 1,009,905</u>	<u>\$ 23,998</u>	<u>\$ 1,033,903</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan - Experience Differences	\$ 250,582	\$ 72,171	\$ 322,753
Pension Plan - Earnings Differences	31,931	9,197	41,128
Total Deferred Inflows of Resources	<u>\$ 282,513</u>	<u>\$ 81,368</u>	<u>\$ 363,881</u>
NET POSITION			
Net Investment in Capital Assets	\$ 5,187,230	\$ 675,449	\$ 5,862,679
Restricted for:			
Debt Retirement	62,547		62,547
Water Development - Capital Projects	73,774		73,774
Unrestricted	928,825	2,104,147	3,032,972
Total Net Position	<u>\$ 6,252,376</u>	<u>\$ 2,779,596</u>	<u>\$ 9,031,972</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, 2018

	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-Type Activities	Total
Net (Expense) Revenue				
<u>Primary Government:</u>				
Administration	\$ 215,157	\$ (215,157)	\$	\$ (215,157)
Plant	276,993	(276,993)		(276,993)
Maintenance	672,107	(672,107)		(672,107)
Interest Expense and Fees	37,006	(37,006)		(37,006)
Total Governmental Activities	\$ 1,201,263	\$ (1,201,263)	\$ 0	\$ (1,201,263)
<u>Business-Type Activities:</u>				
Recreation	\$ 234,263	\$	\$ (234,263)	\$ (234,263)
Law Enforcement	24,441		(24,441)	(24,441)
Total Business-Type Activities	\$ 258,704	\$ 0	\$ (258,704)	\$ (258,704)
Total Primary Government	\$ 1,459,967	\$ (1,201,263)	\$ (258,704)	\$ (1,459,967)
General Revenues (Expenses):				
Charges for Services	\$	\$ 1,267,919	\$ 414,509	\$ 1,682,428
Special Assessments		49,084		49,084
Unrestricted Investment Earnings		475	13,620	14,095
Gain on Sale of Assets		5,000		5,000
Miscellaneous		14,047	2,985	17,032
Transfers		(72,389)	72,389	
Total General Revenues		\$ 1,264,136	\$ 503,503	\$ 1,767,639
Change in Net Position		\$ 62,873	\$ 244,799	\$ 307,672
Net Position - Beginning		6,189,503	2,534,797	8,724,300
Net Position - Ending		\$ 6,252,376	\$ 2,779,596	\$ 9,031,972

The accompanying notes are an integral part of this statement.

WHITE RIVER MUNICIPAL WATER DISTRICT

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Major		Total Governmental Funds
	Water Fund	Special Revenue Fund	
ASSETS			
Cash and Cash Equivalents	\$ 557,700	\$ 138,753	\$ 696,453
Accounts Receivable	124,401		124,401
Special Assessments Receivable		410	410
Total Assets	<u>\$ 682,101</u>	<u>\$ 139,163</u>	<u>\$ 821,264</u>
LIABILITIES			
Accounts Payable	\$ 53,161	\$	\$ 53,161
Accrued Wages	9,011		9,011
Other Current Liabilities	289		289
Unearned Revenue		2,842	2,842
Total Liabilities	<u>\$ 62,461</u>	<u>\$ 2,842</u>	<u>\$ 65,303</u>
FUND BALANCES			
Restricted for:			
Debt Retirement	\$	\$ 62,547	\$ 62,547
Water Development - Capital Projects		73,774	73,774
Unassigned	619,640		619,640
Total Fund Balances	<u>\$ 619,640</u>	<u>\$ 136,321</u>	<u>\$ 755,961</u>
Total Liabilities and Fund Balances	<u>\$ 682,101</u>	<u>\$ 139,163</u>	<u>\$ 821,264</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, 2018

Total Fund Balance - Governmental Funds Balance Sheet	\$ 755,961
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).	5,187,230
Long-term receivables related to conduit debt are not reported in the governmental funds balance sheet.	932,917
Accrued vacation payable is not recorded in the governmental funds.	(9,602)
Long-term debt is not accrued in the funds but is recognized as a liability in the Statement of Net Position.	(935,000)
Net pension assets and related deferred outflows and deferred inflows are not reported in the governmental funds.	<u>320,870</u>
Net Position of Governmental Activities	<u>\$ 6,252,376</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, 2018

	Major		Total
	Water Fund	Special Revenue Fund	
REVENUES:			
Charges for Services	\$ 1,267,919	\$	\$ 1,267,919
Special Assessments		74,084	74,084
Investment Earnings	238	237	475
Other Revenue	13,951	96	14,047
Total Revenues	\$ 1,282,108	\$ 74,417	\$ 1,356,525
EXPENDITURES:			
Current:			
Administration	\$ 229,076	\$	\$ 229,076
Plant	295,394		295,394
Maintenance	433,484		433,484
Capital Projects		176,725	176,725
Debt Service:			
Principal		25,000	25,000
Interest		37,006	37,006
Total Expenditures/Expenses	\$ 957,954	\$ 238,731	\$ 1,196,685
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 324,154	\$ (164,314)	\$ 159,840
OTHER FINANCIAL SOURCES (USES):			
Transfers Out	\$ (64,411)	\$ (7,978)	\$ (72,389)
Proceeds from the Sale of Fixed Assets	5,000		5,000
Total Other Financial Sources (Uses)	\$ (59,411)	\$ (7,978)	\$ (67,389)
Net Change in Fund Balances	\$ 264,743	\$ (172,292)	\$ 92,451
Fund Balance - July 1 (Beginning)	354,897	308,613	663,510
Fund Balance - June 30 (Ending)	\$ 619,640	\$ 136,321	\$ 755,961

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, 2018

Net Change in Fund Balance - Total Governmental Funds	\$	92,451
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.		228,424
Depreciation is recorded in the Statement of Activities as an expense but not in governmental fund.		(308,296)
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.		820
Changes in the net pension assets and related deferred outflows and inflows are not reported in the governmental funds.		<u>49,474</u>
Change in Net Position of Governmental Activities	\$	<u><u>62,873</u></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, 2018

	<u>Major Recreation Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,008,832
Accounts Receivable (Net of Allowances)	26,898
Capital Assets, Net of Accumulated Depreciation	
Land	294,980
Construction Work in Progress	18,000
Improvements Other than Buildings	210,583
Machinery and Equipment	151,886
Net Pension Asset	169,297
Total Assets	<u>\$ 2,880,476</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan - Changes of Assumptions	<u>\$ 4,486</u>
LIABILITIES	
Accounts Payable	\$ 19,054
Accrued Wages Payable	4,944
Total Liabilities	<u>\$ 23,998</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Plan - Experience Differences	\$ 72,171
Pension Plan - Earnings Differences	9,197
Total Deferred Inflows of Resources	<u>\$ 81,368</u>
NET POSITION	
Net Investment in Capital Assets	\$ 675,449
Unrestricted	2,104,147
Total Net Position	<u><u>\$ 2,779,596</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, 2018

	<u>Major Recreation Fund</u>
OPERATING REVENUES	
Sale of Permits	\$ 80,213
Lot Rentals	141,931
Water Sales	141,953
Annual Trash Fees	28,320
Other Operating Income	22,092
Total Operating Revenues	<u>\$ 414,509</u>
OPERATING EXPENSES	
Recreation	
Personnel, Benefits, and Cost of Services	\$ 58,790
Contractual Services	56,729
Utilities	5,529
Repairs and Maintenance	16
Supplies	25,282
Insurance	7,263
Administration	22,999
Depreciation	57,655
Law Enforcement	
Personnel, Benefits, and Cost of Services	9,656
Repairs and Maintenance	1,823
Supplies	2,855
Insurance	7,263
Administration	2,844
Total Operating Expenses	<u>\$ 258,704</u>
Operating Income	<u>\$ 155,805</u>
NONOPERATING REVENUES	
Investment Earnings	\$ 13,620
Miscellaneous Revenue	2,985
Total Nonoperating Revenues	<u>\$ 16,605</u>
Income Before Transfers	<u>\$ 172,410</u>
TRANSFERS	
Transfers In	<u>\$ 72,389</u>
Change in Net Position	\$ 244,799
TOTAL NET POSITION - BEGINNING	<u>2,534,797</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 2,779,596</u></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, 2018

	<u>Major Recreation Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 433,377
Payments to Suppliers	(131,942)
Payments to Employees	(88,007)
Net Cash From Operating Activities	<u>\$ 213,428</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Transfers	\$ 72,389
Net Cash From Noncapital Financing Activities	<u>\$ 72,389</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions of Property and Equipment	\$ (32,150)
Net Cash From Capital and Related Financing Activities	<u>\$ (32,150)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned on Investments	\$ 13,620
Miscellaneous Receipts	2,985
Net Cash From Investing Activities	<u>\$ 16,605</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 270,272
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,738,560</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,008,832</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating Income	<u>\$ 155,805</u>
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:	
Depreciation and Amortization	\$ 57,655
Change in Assets and Liabilities:	
Receivables	6,704
Other Assets	5,920
Pension Plan - Deferred Outflows	28,736
Accounts Payable	6,905
Accrued Wages	1,568
Net Pension Asset	(93,977)
Pension Plan - Deferred Inflows	44,112
	<u>\$ 57,623</u>
Net Cash From Operating Activities	<u>\$ 213,428</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, 2018**

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 water and special revenue funds). 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, 2018**

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, 2018**

GOVERNMENTAL FUND TYPES

The District reports the following governmental funds:

Water 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, 2018**

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 (water) 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, 2018**

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 Water Fund. This classification represents Water Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the Water Fund.

Unassigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the Water Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the Water 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 Water 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, 2018**

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.

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.

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.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 were all considered Level 1.

The carrying amount of the District's cash and cash equivalents at June 30, 2018, 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, 2018, all of the District's investments certificates of deposit with various banks, and as such the District has no risk.
- 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, 2018, 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.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

- 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.

4. ACCOUNTS RECEIVABLE

As of June 30, 2018 the District’s accounts receivable consisted of the following:

	Total Receivables	Estimated Allowances for Bad Debt	Net Receivables
Governmental Activities:			
Member Cities - Water Sales	\$ 107,442	\$	\$ 107,442
George Brown - Water Sales	5,264		5,264
Line Meters - Water Sales	11,695		11,695
Total Governmental Activities	<u>\$ 124,401</u>	<u>\$ 0</u>	<u>\$ 124,401</u>
Business-Type Activities:			
Permit Fees - Marina	\$ 9,550	\$	\$ 9,550
Lake Meters - Water Sales	13,419	(2,792)	10,627
Other	6,721		6,721
Total Business-Type Activities:	<u>\$ 29,690</u>	<u>\$ (2,792)</u>	<u>\$ 26,898</u>
Primary Government	<u>\$ 154,091</u>	<u>\$ (2,792)</u>	<u>\$ 151,299</u>

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018:

	Total Debt Outstanding on Behalf of City	Remaining Principal Due to District	Current Portion
Governmental Activities:			
City of Ralls	\$ 184,943	\$ 184,531	\$ 4,533
City of Post	380,171	379,324	9,318
City of Spur	205,513	205,055	5,037
City of Crosbyton	164,373	164,007	4,029
Total Governmental Activities	<u>\$ 935,000</u>	<u>\$ 932,917</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, 2018 the liability for the District was \$9,602.

7. CAPITAL ASSET ACTIVITY

Governmental Activities:

Capital asset activity for the District for the year ended June 30, 2018 was as follows:

<u>Assets:</u>	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018
Land	\$ 934,459	\$	\$	\$ 934,459
Buildings	177,399			177,399
Improvements Other than Buildings	93,329			93,329
Machinery and Equipment	581,684	45,811	41,997	585,498
Water Infrastructure	8,597,704	511,996		9,109,700
Construction Work in Progress	549,383	(329,383)		220,000
Totals	<u>\$ 10,933,958</u>	<u>\$ 228,424</u>	<u>\$ 41,997</u>	<u>\$ 11,120,385</u>
<u>Accumulated Depreciation:</u>				
Buildings	\$ 138,613	\$ 2,600	\$	\$ 141,213
Improvements Other than Buildings	80,418	2,306		82,724
Machinery and Equipment	449,205	41,359	41,997	448,567
Water Infrastructure	4,998,620	262,031		5,260,651
Totals	<u>\$ 5,666,856</u>	<u>\$ 308,296</u>	<u>\$ 41,997</u>	<u>\$ 5,933,155</u>
Capital Assets, Net of Accumulated	<u>\$ 5,267,102</u>	<u>\$ (79,872)</u>	<u>\$ 0</u>	<u>\$ 5,187,230</u>

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 was as follows:

<u>Assets:</u>	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018
Land	\$ 294,980	\$	\$	\$ 294,980
Improvements Other than Buildings	484,349	24,852		509,201
Machinery and Equipment	464,397	7,298		471,695
Construction Work in Progress	18,000			18,000
Totals	<u>\$ 1,261,726</u>	<u>\$ 32,150</u>	<u>\$ 0</u>	<u>\$ 1,293,876</u>
<u>Accumulated Depreciation:</u>				
Improvements Other than Buildings	\$ 288,713	\$ 9,905	\$	\$ 298,618
Machinery and Equipment	272,059	47,750		319,809
Totals	<u>\$ 560,772</u>	<u>\$ 57,655</u>	<u>\$ 0</u>	<u>\$ 618,427</u>
Capital Assets, Net of Accumulated	<u>\$ 700,954</u>	<u>\$ (25,505)</u>	<u>\$ 0</u>	<u>\$ 675,449</u>

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 \$37,006 in interest related to these bonds. The ending outstanding balance on this issuance was \$935,000.

Debt Service Requirements on the bonds as of June 30, 2018 are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,000	\$ 36,641	\$ 61,641
2020	25,000	36,176	61,176
2021	25,000	35,611	60,611
2022	25,000	34,961	59,961
2023	25,000	34,246	59,246
2024-2028	145,000	157,788	302,788
2029-2033	180,000	127,285	307,285
2034-2038	215,000	87,016	302,016
2039-2043	270,000	36,380	306,380
	<u>\$ 935,000</u>	<u>\$ 586,100</u>	<u>\$ 1,521,100</u>

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

Fiscal Year(s)	City of Post		City of Ralls		City of Crosbyton		City of Spur	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 9,318	\$ 14,898	\$ 4,533	\$ 7,247	\$ 4,029	\$ 6,441	\$ 5,037	\$ 8,054
2020	10,165	14,709	4,945	7,156	4,395	6,360	5,495	7,951
2021	10,165	14,479	4,945	7,044	4,395	6,260	5,495	7,827
2022	10,165	14,215	4,945	6,915	4,395	6,146	5,495	7,684
2023	10,165	13,924	4,945	6,774	4,395	6,020	5,495	7,527
2024-2028	58,957	64,156	28,681	31,210	25,491	27,739	31,871	34,682
2029-2033	73,188	51,754	35,604	25,177	31,644	22,377	39,564	27,977
2034-2038	87,419	35,381	42,527	17,212	37,797	15,297	47,257	19,126
2039-2043	109,782	14,792	53,406	7,196	47,466	6,396	59,346	7,996
	<u>\$ 379,324</u>	<u>\$ 238,308</u>	<u>\$ 184,531</u>	<u>\$ 115,931</u>	<u>\$ 164,007</u>	<u>\$ 103,036</u>	<u>\$ 205,055</u>	<u>\$ 128,825</u>

9. INTERFUND TRANSFERS

Interfund Transfers during the year ended June 30, 2018 are as follows:

Transfer In	Transfer Out	Amount	Description of Transfer
Recreation Fund	Water Fund	\$ 113,200	Budgeted Transfers
Water Fund	Recreation Fund	(40,811)	Transfer Asset to Water Fund
		<u>\$ 72,389</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 760 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.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2017.

Total Pension Liability	\$	1,808,761
Plan Fiduciary Net Position		<u>2,565,863</u>
Plan Net Pension (Asset)	\$	<u>(757,102)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		141.86%

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, 2017 actuarial valuation using the entry age actuarial cost method.

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The actuarial assumptions at December 31, 2017 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 2017. 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	
	2016	2017
Member	7.00%	7.00%
Employer	0.00%	0.00%

	Contributions	
	2016	2017
Member	\$ 26,485	\$ 25,683
Employer		
Total	\$ 26,485	\$ 25,683

Actuarial Assumptions:

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
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%
<i>*Includes Inflation of 2.75%</i>	

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.

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation**	Long-Term Expected Portfolio Real Rate of Return*
U.S. Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	75.00%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 1.95%,
per Cliffwater's 2018 capital market assumptions

** - Target asset allocation adopted at the April 2018 TCDRS Board Meeting

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 2017 Net Pension Asset.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 2,000,596	\$ 1,808,761	\$ 1,641,722
Fiduciary Net Position	2,565,862	2,565,863	2,565,862
Net Pension Liability / (Asset)	\$ (565,266)	\$ (757,102)	\$ (924,140)

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

At December 31, 2017, the District reported an asset of \$757,102 for its proportionate share of the TCDRS Net Pension Asset.

The net pension liability was measured as of December 31, 2017 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, 2017 through December 31, 2017.

For the plan year ended December 31, 2017 there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which was a change in assumptions.

At December 31, 2017, the District reported its proportionate share of the TCDRS deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred (Inflows) Outflows of Resources
Differences Between Expected and Actual Economic Experience	\$ (322,753)
Changes in Assumptions	20,064
Net Difference Between Projected and Actual Earnings	(41,128)
Total	\$ (343,817)

WHITE RIVER MUNICIPAL WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

	Pension Expense Amount
2018	\$ (57,827)
2019	(63,526)
2020	(110,580)
2021	(111,884)
	<u>\$ (343,817)</u>

At December 31, 2017, 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, 2016 Measurement Date	\$ (19,394)
Experience Differences	(240,869)
Assumption Changes or Inputs	11,721
Earnings Differences	(151,172)
Amortization of Deferred (Inflows) Outflows	55,897
Total Net Amounts as of December 31, 2017	<u>\$ (343,817)</u>

Pension Expense

Pension expense for the plan for the year ended December 31, 2017 was \$70,605 and was calculated as follows:

	Pension Expense
Service Cost	\$ 35,705
Interest on Total Pension Liability	156,250
Administrative Expenses	1,706
Member Contributions	(25,683)
Expected Investment Return Net of Investment Expenses	(183,602)
Amortization of Deferred Inflows and Outflows of Resources	(55,897)
Other	916
Total Net Amounts as of December 31, 2017	<u>\$ (70,605)</u>

WHITE RIVER MUNICIPAL WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Employees Covered by Benefit Terms:

At the December 31, 2017 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

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

11. RELATED PARTIES

<u>Cities</u>	<u>Water Sales</u>	<u>Accounts Receivable 6/30/2018</u>	<u>Principal Collections</u>
Post	\$ 448,839	\$ 32,968	\$ 10,165
Ralls	219,403	28,754	4,945
Crosbyton	233,534	29,038	4,395
Spur	<u>209,106</u>	<u>16,682</u>	<u>5,495</u>
Total	<u>\$ 1,110,882</u>	<u>\$ 107,442</u>	<u>\$ 25,000</u>

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

12. 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.

13. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 11, 2018, 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, 2018**

Exhibit B-1

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 47,285	\$ 30,673	\$ 38,305	\$ 35,705
Interest on Total Pension Liability	150,929	155,565	164,192	156,250
Effect of Plan Changes		5,078		
Effect of Economic/Demographic Gains and Losses	7,714	33,045	(214,914)	(240,869)
Effect of Assumptions Changes or Inputs		26,721		11,721
Benefit Payments/Refunds of Contributions	<u>(159,353)</u>	<u>(152,801)</u>	<u>(111,854)</u>	<u>(92,895)</u>
Net Change	\$ 46,575	\$ 98,281	\$ (124,271)	\$ (130,088)
Beginning Balance	1,918,264	1,964,839	2,063,120	1,938,849
Ending Balance	<u>\$ 1,964,839</u>	<u>\$ 2,063,120</u>	<u>\$ 1,938,849</u>	<u>\$ 1,808,761</u>
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
Member Contributions	\$ 26,230	\$ 24,672	\$ 26,485	\$ 25,683
Net Investment Income	165,697	22,720	176,959	334,773
Benefit Payments/Refunds of Contributions	(159,353)	(152,801)	(111,854)	(92,895)
Administrative Expenses	(1,884)	(1,743)	(1,917)	(1,706)
Other	<u>1,022</u>	<u>36,396</u>	<u>(189,558)</u>	<u>(916)</u>
Net Change	\$ 31,712	\$ (70,756)	\$ (99,885)	\$ 264,939
Beginning Balance	2,439,853	2,471,565	2,400,809	2,300,924
Ending Balance	<u>\$ 2,471,565</u>	<u>\$ 2,400,809</u>	<u>\$ 2,300,924</u>	<u>\$ 2,565,863</u>
Net Pension Liability (Asset)	<u>\$ (506,726)</u>	<u>\$ (337,689)</u>	<u>\$ (362,075)</u>	<u>\$ (757,102)</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	125.79%	116.37%	118.67%	141.86%
Pensionable Covered Payroll	\$ 374,708	\$ 352,454	\$ 378,374	\$ 366,905
Net Pension Liability as a Percentage of Covered Payroll	-135.23%	-95.81%	-95.69%	-206.35%

Note: Only four years of GASB 68 data available as of year end. The remaining six 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, 2018

Exhibit B-2

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Actuarially Determined Contribution	\$	\$	\$	\$
Actual Employer Contribution				
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Pensionable Covered Payroll	\$ 374,708	\$ 352,454	\$ 374,879	\$ 362,359
Actual Contribution as a Percentage of Pensionable Covered Payroll	0.00%	0.00%	0.00%	0.00%

Note: Only four years of GASB 68 data available as of year end. The remaining six years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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WHITE RIVER MUNICIPAL WATER DISTRICT

**BUDGETARY COMPARISON SCHEDULE
WATER FUND
JUNE 30, 2018**

Exhibit B-3

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	General Fund			Variance
	Original Budget	Amended Budget	Actual	Positive (Negative)
REVENUES				
Charges for Services	\$ 1,074,904	\$ 1,188,000	\$ 1,267,919	\$ 79,919
Investment Earnings			238	238
Other Revenue			13,951	13,951
Total Revenues	\$ 1,074,904	\$ 1,188,000	\$ 1,282,108	\$ 94,108
EXPENDITURES				
Plant:				
Salaries	\$ 103,314	\$ 101,711	\$ 82,671	\$ 19,040
Overtime	10,000	22,500	7,053	15,447
General Insurance	8,200	8,200	7,263	937
Hospital Insurance	33,000	30,000	26,216	3,784
Workers Compensation	2,250	2,250		2,250
Office Supplies	2,500	2,500	1,350	1,150
Treatment Supplies	100,000	140,000	58,761	81,239
Repairs / Supplies	30,000	2,500	8,120	(5,620)
Electricity	80,000	75,000	68,697	6,303
Other Utilities	5,000	7,000	3,325	3,675
Contracted Services	5,000	7,500	5,941	1,559
Dues/Lic.	1,000	900	281	619
Rentals	2,000	2,000		2,000
Uniforms	3,282	3,182	2,376	806
Fleet Replacement	4,400	4,400		4,400
District Housing	4,000			0
Postage	2,000	2,000	2,517	(517)
Fuels	6,000	10,000	6,729	3,271
Lab. Supplies	10,000	10,000	11,834	(1,834)
Train. Schools/Travel	2,000	2,000	2,260	(260)
Capital Outlay	10,000	25,000		25,000
Maintenance:				
Salaries	108,096	103,490	86,037	17,453
Overtime	12,000	22,500	9,855	12,645
General Insurance	8,200	8,200	7,263	937
Hospital Insurance	27,000	24,000	29,510	(5,510)
Workers Compensation	2,062	2,062		2,062
Electricity	125,000	150,000	106,975	43,025
Other Utilities	5,000	6,000	2,856	3,144
Fuels	20,000	26,000	19,723	6,277
Train. Schools/Travel	2,000	2,000	2,122	(122)
Office Supplies	1,500	1,500	135	1,365
Contracted Services	12,500	15,000	8,721	6,279
Repairs / Supplies	100,000	145,000	102,817	42,183
Dues/Lic.	800	800	255	545
Uniforms	3,300	3,157	2,829	328
Fleet Replacement	4,400	4,400		4,400
Postage	500	500	521	(21)
District Housing	4,000			0
Capital Outlay	10,000	10,000	53,865	(43,865)
Administration:				
Salaries	121,583	103,247	106,119	(2,872)
Payroll Taxes	25,000	25,000	22,341	2,659
Unemployment Tax	1,700	1,700	1,176	524
Office Supplies	2,700	3,000	7,048	(4,048)
Telephone	13,000	12,000	9,926	2,074
Train School/Travel	4,000	6,000	1,795	4,205
General Insurance	8,200	8,200	7,953	247
Hospital Insurance	24,000	14,000	17,009	(3,009)
Workers Compensation	2,250	2,250	15	2,235
Dues	3,000	3,000	1,933	1,067
Postage	1,000	1,000	808	192
Misc. Expenses	1,500	1,500	1,946	(446)
Contracted Services	20,000	20,000	18,123	1,877
Water Fees	10,000	10,207	13,862	(3,655)
Legal Fees	15,000	20,000	7,726	12,274
Engineering	7,500	15,000	2,863	12,137
Trustee Bank Fees	1,500	1,250	1,250	0
Fleet Replacement	4,400	4,400		4,400
District Housing	4,000		520	(520)
Repairs	10,000	5,000	5,508	(508)
Uniforms	1,750	1,000	1,155	(155)
Total Expenditures	\$ 1,152,387	\$ 1,241,006	\$ 957,954	\$ 283,052
Excess (Deficiency) of Revenues Over Expenditures	\$ (77,483)	\$ (53,006)	\$ 324,154	\$ 377,160
Other Financing Sources (Uses):				
Transfers Out	\$ 0	\$ 0	\$ (64,411)	\$ (64,411)
Proceeds from the Sale of Fixed Assets			5,000	5,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (59,411)	\$ (59,411)
Net Changes in Fund Balance	\$ (77,483)	\$ (53,006)	\$ 264,743	\$ 317,749
Fund Balance - July 1 (Beginning)			354,897	
Fund Balance - June 30 (Ending)			\$ 619,640	

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, 2018**

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 12/31/2017 valuation).
Asset Valuation Method	5-year smoothed market.
Inflation	2.75%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions:	New Annuity Purchase Rates were reflected for benefits earned after 2017.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions:	New mortality assumptions were reflected in 2017

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, 2018, which collectively comprise White River Municipal Water District's basic financial statements and have issued our report thereon dated October 11, 2018.

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. [2018-1]

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*.

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. [2018-1] 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 11, 2018

WHITE RIVER MUNICIPAL WATER DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Current Year's Findings: [2018-1]

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.