COMPREHENSIVE

ANNUAL FINANCIAL REPORT

for the years ended September 30, 2015 and 2014

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for the years ended September 30, 2015 and 2014

TABLE OF CONTENTS

	Exhibit	Page
INTRODUCTORY SECTION		
Annual Filing Affidavit		i
Board Members, Key Personnel and Consultants		ii-iv
Government Finance Officers Association (GFOA) Certificate of Achievement		v
Letter of Transmittal and Management's Executive Summary Report		vi-xi
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis (Required Supplementary Information)		4-9
BASIC FINANCIAL STATEMENTS		
Statements of Net Position	A-1	10
Statements of Revenues, Expenses, and Changes in Net Position	A-2	11
Statements of Cash Flows	A-3	12-13
Notes to the Basic Financial Statements		14-37

INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF WICHITA §

I, **Cliff A. Skiles, Jr., D.V.M., President**
(Name of Duly Authorized District Representative)

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

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 20th day of January, 2016 its annual audit report for the fiscal period ended September 30, 2015 and that copies of the annual audit report have been filed in the District's office, located at 3000 Hammon Road, Wichita Falls, Texas 76310.

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

Date: January 20, 2016

(Signature of District Representative)

Cliff A. Skiles, Jr., D.V.M., President
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 20th day of January, 2016.

(Seal)
DANNA K. PRICHARD
Notary Public, State of Texas
My Commission Expires
August 29, 2019

Danna K. Prichard
(Signature of Notary)

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

Form TCEQ-0723 (Revised 10/2003)

RED RIVER AUTHORITY OF TEXAS

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
for the year ended September 30, 2015

Complete District Mailing Address: P. O. Box 240
Wichita Falls, Texas 76307

Authority Business Telephone Number: (940) 723-8697

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2015	Title at Year End	Resident of District
Board Members:				
Cliff A. Skiles, Jr., D.V.M. P. O. Box 1729 Dalhart, Texas 79022	08-11-09 – 08-11-15	$3,348	President	Yes
George Wilson Scaling, II 450 Rhat Road Henrietta, Texas 76365	08-11-09 – 08-11-15	564	Vice President	Yes
Jerry Bob Daniel 4911 FM 1756 West Truscott, Texas 79227	08-11-09 – 08-11-15	657	Secretary	Yes
Penny C. Carpenter 1899 CR 12 Silverton, Texas 79257	07-28-08 – 08-11-19	1,412	Assistant Secretary	Yes
Nathan J. (Jim) Bell, IV 2221 Lamar Avenue Paris, Texas 75461	10-16-00 – 08-11-17	1,399	Director	Yes
C. Cole Camp 4402 Charlene Avenue Amarillo, Texas 76106	07-28-08 – 08-11-19	1,176	Director	Yes
Mayfield McCraw P. O. Box 9 Telephone, Texas 75488	09-22-09 – 08-11-17	852	Director	Yes
Stephen A. Thornhill 2470 West Crawford Denison, Texas 75020	09-05-14 – 08-11-19	952	Director	Yes
Montford T. Johnson, III P. O. Box 32365 Amarillo, Texas 79120	10-04-12 - 08-11-17	0	Director	Yes

RED RIVER AUTHORITY OF TEXAS

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
for the year ended September 30, 2015

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2015	Title at Year End
Key Administrative Personnel:			
Curtis W. Campbell 903 East Wichita Street Henrietta, Texas 76365	08-16-1981	$ 0	General Manager
Engineering Consultants:			
Kerry D. Maroney, P.E. Biggs and Mathews, Inc. 2500 Brook Avenue Wichita Falls, Texas 76301		300,185	Consultant
Simone Kiel, P.E. Freese and Nichols, Inc. 4055 International Plaza, Ste 200 Fort Worth, Texas 76109		0	Consultant
HDR Engineering, Inc. 4401 W. Gate Blvd, Suite 400 Austin, Texas 78745		0	Consultant
Peggy Glass, Ph.D. Alan Plummer Associates, Inc. 6300 La Calma, Suite 400 Austin, Texas 78752-3825		0	Consultant
Legal Consultants:			
Todd Davenport Gibson, Davenport and Anderson 3711 Maplewood Avenue Suite 200 Wichita Falls, Texas 76308		6,225	General Counsel

RED RIVER AUTHORITY OF TEXAS

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
for the year ended September 30, 2015

Names and Addresses	Term of Office Elected and Expired or Date Hired	Fees and Expense Reimbursements September 30, 2015	Title at Year End
Legal Consultants, Continued			
Doug Caroom Bickerstaff, Heath, Delgado, Acosta, LLP 3711 S Mo-Pac Expressway Building One, Suite 300 Austin, Texas 78746		$ 767	Special Counsel
Rick Porter M°Call, Parkhurst and Horton 717 N Harwood, Suite 900 Dallas, Texas 75201		0	Bond Counsel
Financial Consultants:			
David Medanich First Southwest Company 777 Main Street, Suite 1200 Fort Worth, Texas 76102		0	Financial Advisor
Depositories:			
American National Bank P. O. Box 4476 Wichita Falls, Texas 76308			
TexPool – Comptroller of Public Accounts P. O. Box 12608 Austin, Texas 78711			

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Red River Authority of Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

Red River Authority of Texas

CLIFF A. SKILES,JR., DVM, President Hereford
GEORGE WILSON SCALING, II, Vice President, Henrietta
JERRY BOB DANIEL, Secretary, Truscott
PENNY C. CARPENTER, Assistant Secretary, Silverton
NATHAN J. (JIM) BELL, IV, Paris
C. COLE CAMP, Amarillo
MONTFORD T. (MONTY) JOHNSON, III, Amarillo
MAYFIELD MCCRAW, Telephone
STEPHEN A. THORNHILL, Denison

CURTIS W. CAMPBELL, General Manager
HENRY C. WIED, Assistant General Manager
DANNA K. PRICHARD, Executive Assistant
GREGG MILLER, Controller

January 6, 2016

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

Board Members:

The Comprehensive Annual Financial Report of the Red River Authority of Texas for the fiscal year ended September 30, 2015 is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority.

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

The Comprehensive Annual Financial Report is presented in three major sections to aid the reader in obtaining a clear understanding of the Authority and its activities. These sections are titled Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, an organizational chart, and a description of the Authority's operating divisions' highlights of activities for the year. The Financial Section includes the independent auditor's report, the Management's Discussion and Analysis (which can be found on pages 4-9), the basic financial statements, notes to the financial statements, and supplementary information, such as combining schedules, budget comparison schedules and information required by the State of Texas. The Statistical Section includes selected historical financial information, operations summaries, and demographic information associated with the Authority's activities of primary interest.

REPORTING ENTITY

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

REPORTING ENTITY, Continued

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

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

GOVERNING BODY

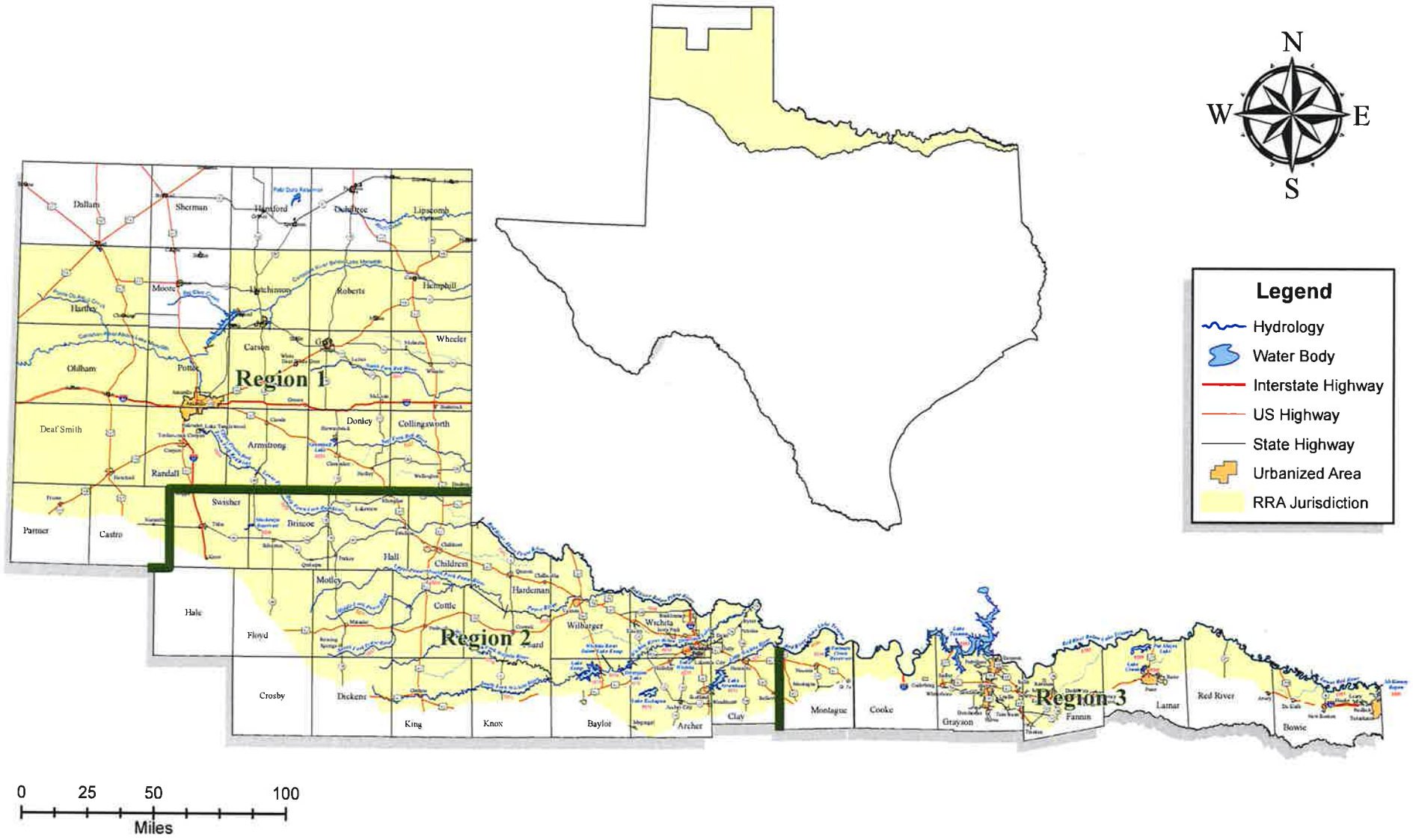
The Authority's governing body is composed of a nine-member Board of Directors, all of whom are appointed by the Governor, confirmed by the Senate, a legal voter, a property taxpayer, and resident in the Authority's jurisdictional area. Each Director serves a six-year staggered term. The Directors are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

ADMINISTRATION

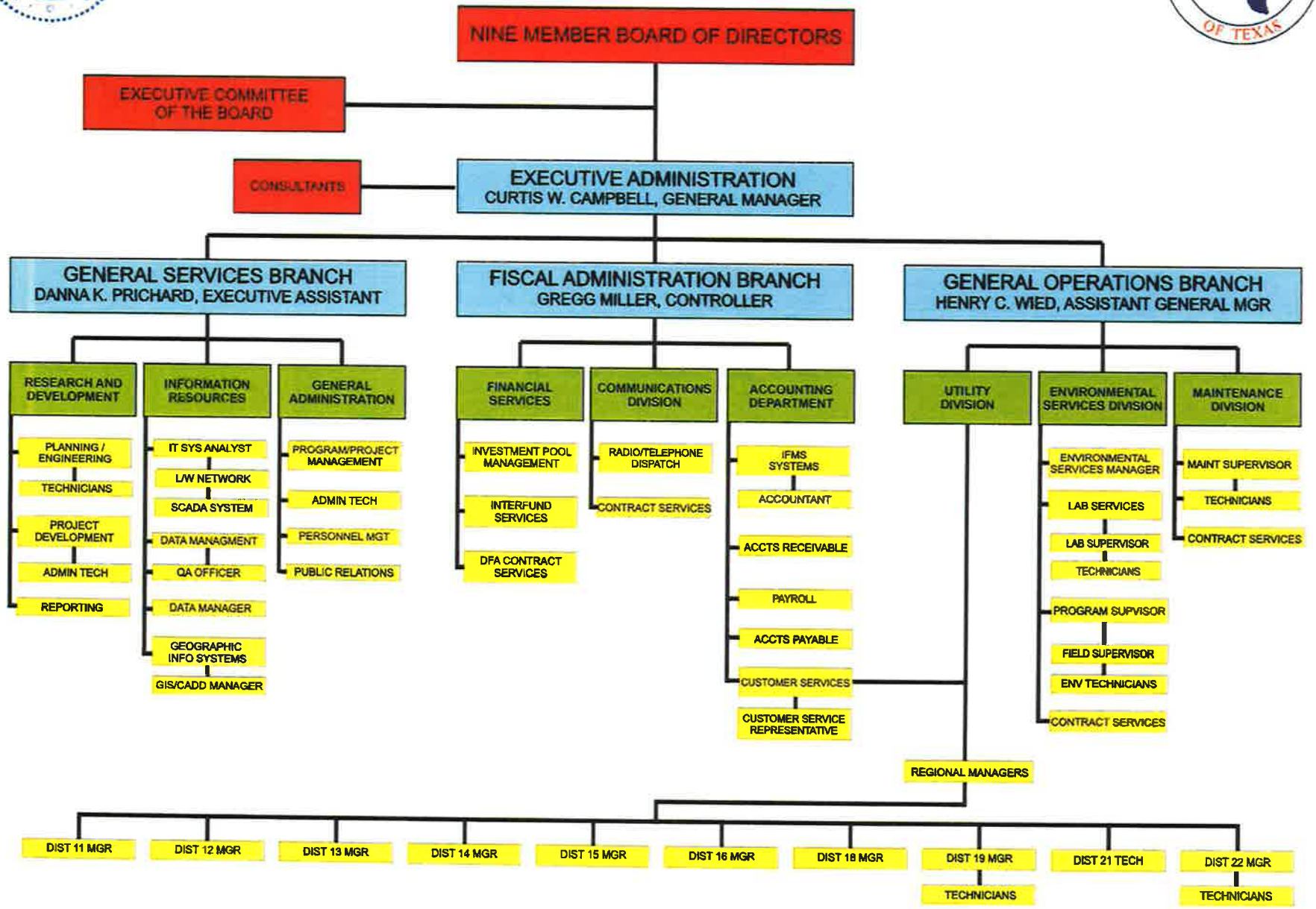
All fiscal and administrative functions are conducted from the general offices, located at 3000 Hammon Road, Wichita Falls, Texas. The General Manager is assisted by a professional staff of employees and consultants in the accomplishment of his duties, and is solely responsible to the Board of Directors for the proper implementation of all policies and the successful administration of the Authority. The Executive Administration is the upper-level management team that consists of three interactive branches of administration for the orderly conduct of all facets of the Authority's activities. The branches are the General Division Branch, Fiscal Services Branch, and General Operations Branch. Each branch is responsible for providing team leadership, administrative, and technical services to each division or department of the Authority. The Executive Staff administers Board Policy and carries out the Authority's mission under a Board-approved Strategic Management Plan. There were 31 full-time classified employees on the Authority's payroll on September 30, 2015. **Refer to the Organizational Chart** for details.

Red River Authority of Texas

Jurisdictional Map



Red River Authority of Texas
Organizational Chart



INTERNAL CONTROLS

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

BUDGETARY CONTROLS

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Red River Authority of Texas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

AUDIT REQUIREMENTS

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Gregg Miller
Controller

Henry C. Wied, Jr.
Assistant General Manager

Curtis W. Campbell
General Manager

FINANCIAL SECTION

EDGIN, PARKMAN, FLEMING & FLEMING, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report on Financial Statements

Board of Directors
Red River Authority of Texas

Members of the Board of Directors:

We have audited the accompanying financial statements of Red River Authority of Texas (Authority) as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red River Authority of Texas as of September 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Authority adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Schedules of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System and the Schedule of Employer Contributions – Texas County and District Retirement System identified in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in Exhibits C-1 through C-42 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 6, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

January 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Red River Authority of Texas, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on **page vi** of this report.

Financial Highlights

1. The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by $15,658,732 (net position). Of this amount, $7,325,098 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors;
2. The Authority's total net position increased by $1,137,462. This consists of a change in net position of $912,656 and a prior period adjustment of $224,806 related to implementation of GASB 68.
3. The Authority's total debt decreased by $37,166 (5.2%) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide statements. The notes to the basic financial statements can be found on **pages 14-37** of this report.

Authority-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by $15,658,732 at the close of the most recent fiscal year.

CONDENSED STATEMENT OF NET POSITION

	2015	2014	2013
Assets:			
Current assets	$7,635,052	$6,547,707	$6,723,060
Restricted assets	127,130	127,130	733,659
Capital assets	7,996,721	8,178,333	8,619,392
Noncurrent assets	922,200	811,184	750,894
Total assets	16,681,103	15,664,354	16,827,005
Deferred outflows of resources	188,623	-	-
Liabilities:			
Current liabilities	384,325	277,281	829,051
Noncurrent liabilities	826,669	865,803	2,096,136
Total liabilities	1,210,994	1,143,084	2,925,187
Net position:			
Net investment in capital assets	7,323,054	7,467,500	6,124,825
Restricted net position	1,010,580	899,564	1,223,100
Unrestricted net position	7,325,098	6,154,206	6,553,893
Total net position	$15,658,732	$14,521,270	$13,901,818

46.8% of the Authority's net position reflect its investment in capital assets (e.g., land, building, machinery, equipment, and water rights), less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (6.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $7,325,098 (46.7%) may be used to meet the Authority's ongoing obligations to constituents and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position.

The Authority's net position increased by $912,656 during the current fiscal year. This increase represents a positive increase in the Utility, Communication, Maintenance and General Divisions, off-set by a decrease in the Environmental Service Division funds.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014	2013
Operating revenues:			
Water and sewer sales	$ 4,066,063	$ 4,072,153	$ 3,710,343
Charges for materials and services	896,461	592,542	493,992
Other	325,801	520,952	397,042
Total operating revenues	5,288,325	5,185,647	4,601,777
Operating expenses:			
Water purchases	628,527	601,222	625,545
Personnel services	1,797,435	1,776,013	1,700,020
Administrative costs	163,638	86,298	88,389
Utilities, supplies, and maintenance	734,127	835,578	750,211
Insurance	50,822	52,961	50,471
Automobile and travel	189,622	229,942	238,071
Professional and directors fees	321,222	149,930	102,848
Research expense	-	39,690	39,690
Total operating expenses	3,885,393	3,771,634	3,595,245
Operating income before depreciation and amortization	1,402,932	1,414,013	1,006,532
Depreciation and amortization	(708,830)	(727,832)	(712,312)
Operating income	694,102	686,181	294,220
Nonoperating revenues (expenses):			
Interest income	5,712	7,265	9,197
Gain on disposal of assets	225,268	29,658	17,666
Interest expense	(12,426)	(103,652)	(132,407)
Total nonoperating revenues (expenses)	218,554	(66,729)	(105,544)
Change in net position	912,656	619,452	188,676
Net position, beginning, as originally stated	14,521,270	13,901,818	13,713,142
Prior period adjustment (GASB 68)	224,806	-	-
Net position, beginning, as restated	14,746,076	13,901,818	13,713,142
Net position, ending	$15,658,732	$14,521,270	$13,901,818

Some of the major variances from fiscal year 2014 to fiscal year 2015 include an $80,457 decrease in water sales. This decrease is the result of the drought related restrictions placed on the Authority in late winter and above normal rainfall in late spring, countered by a $75,123 increase in trash collection fees due to a full 12 months on the trash collection billing contracts. There was $64,757 remitted to the entities contracting with the Authority for these services. The Authority also incurred $101,451 less in utilities, supplies and maintenance. This decrease was due primarily to a decrease in large repair costs on the water systems incurred in 2014 but not in 2015. In fiscal year 2015, the Authority received grant revenue from the Texas Water Development Board in the amount of $234,669, $209,042 of this was for consultant fees, and line replacement income in the utility division amounting to $164,259. There was also a decrease in automobile and travel due to lower fuel and repair costs. The interest income decreased $1,553 due to the drop in interest rates and the interest expense decreased $91,226 with the defeasance of all but one of the bond issues of the Authority. With the implementation of GASB 68 there was a prior period adjustment of $224,806 to net position.

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets funds as of September 30, 2015 amounts to $7,996,721 (net of accumulated depreciation). This investment in capital assets includes land, water systems, water rights, transportation equipment and other equipment, as well as construction in progress. The total decrease in the Authority's investment in capital assets for the current fiscal year was 0.2%.

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

- Howardwick ground storage tank in the amount of $198,974
- FM 94 line relocate in the amount of $106,625
- New service vehicles in the amount of $98,908
- Emergency line replacement in the amount of $43,722
- FM 2103 line relocate in the amount of $28,160
- FM 433 line extension in the amount of $20,804
- Lockett line relocate in the amount of $20,607

CAPITAL ASSETS
(Net of Depreciation)

Asset	Value September 30, 2014	Additions / Completions	Deletions	Value September 30, 2015	Accumulated Depreciation	Net Value
Land and easements	$ 359,440	$ -	$ -	$ 359,440	$ -	$ 359,440
Construction in progress	101,925	503,676	502,010	103,591	-	103,591
Building	968,554	-	-	968,554	291,311	677,243
Water storage rights	1,222,700	-	-	1,222,700	242,218	980,482
Water systems	16,301,879	473,239	193,000	16,582,118	11,189,406	5,392,712
Machinery and equipment	1,095,978	17,303	-	1,113,281	875,279	238,002
Furniture and fixtures	353,809	31,386	-	385,195	326,359	58,836
Motor vehicles	526,079	98,908	73,762	551,225	364,810	186,415
Totals	$ 20,930,364	$ 1,124,512	$768,772	$ 21,286,104	$ 13,289,383	$ 7,996,721

Additional information on the Authority's capital assets can be found in **Note 3** on **pages 23-24** of this report.

Long-Term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of $673,667. All of the debt is backed by the full faith and credit of the Authority and is secured solely by specified revenue sources (i.e., revenue bonds).

Bonds payable and transactions for the year ended September 30, 2015 are summarized as follows:

	Average Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding September 30, 2014	Additions Issuances (Sales) (Retirements)	Bonds Outstanding September 30, 2015
Water Revenue Bonds							
Series 2010	1.90%	08/15/2030	$26,600 to $53,600	$ 849,200	$ 710,833	($37,166)	$ 673,667

The Authority's bonded debt decreased by $37,166 (5.1%) during the current fiscal year.

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

The Authority received an "A-" rating from Standard and Poors in a Summary Report dated October 2, 2012. The last bond issue was in 1997 and was utilized to make capital improvements to two of the Utility Division's Surface Water Treatment Plants and to refund some high interest loans on behalf of the Utility Division.

Additional information on the Authority's long-term debt can be found in **Note 4** on **pages 25-26** of this report.

Economic Factors and Next Year's Budgets and Rates

- Capital expenditures in the Utility Division
- Increased effort to reduce water purchases
- Three year review of water rates versus expenses
- Inflationary trends in the region compare favorably to national indices
- Motor Pool vehicle rotation purchases

All of these factors were considered in preparing the Authority's budget for the 2016 fiscal year.

The Authority has projected an increase of $379,341 in net position for the 2016 fiscal year budget.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

RED RIVER AUTHORITY OF TEXAS
STATEMENTS OF NET POSITION
September 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and short-term investments	$ 3,623,477	$ 3,119,748
Investments	2,411,363	2,394,235
Receivables:		
Trade and contracts	1,214,594	963,618
Insurance	325,000	-
Prepaid expenses	6,231	10,509
Inventory	54,387	59,597
Restricted assets:		
Cash and short-term investments	66,637	59,355
Investments	60,493	67,775
Total current assets	7,762,182	6,674,837
Long-term assets:		
Net pension obligation	-	811,184
Net pension assets	922,200	-
Capital assets not being depreciated	463,031	461,365
Capital assets being depreciated (net)	7,533,690	7,716,968
Total long-term assets	8,918,921	8,989,517
Total assets	16,681,103	15,664,354
Deferred outflows of resources:		
Pension related	188,623	-
LIABILITIES		
Current liabilities:		
Accounts payable - trade	267,701	181,628
Accrued payroll and related taxes	29,917	28,776
Unearned revenue	48,573	29,711
Bonds payable - current maturities	38,134	37,166
Total current liabilities	384,325	277,281
Long-term liabilities:		
Bonds payable, less current maturities	635,533	673,667
Deposits	191,136	192,136
Total long-term liabilities	826,669	865,803
Total liabilities	1,210,994	1,143,084
Net position:		
Net investment in capital assets	7,323,054	7,467,500
Restricted:		
Debt service, repair and replacement, and construction	88,380	88,380
Net pension assets/obligation	922,200	811,184
Unrestricted	7,325,098	6,154,206
Total net position	$ 15,658,732	$ 14,521,270

The accompanying notes are an integral part of this statement.

RED RIVER AUTHORITY OF TEXAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the years ended September 30, 2015 and 2014

	2015	2014
Operating revenues:		
Water and sewer sales	$ 4,066,063	$ 4,072,153
Charges for materials and services	896,461	592,542
Other	325,801	520,952
Total operating revenues	5,288,325	5,185,647
Operating expenses:		
Water purchases	628,527	601,222
Personnel services	1,797,435	1,776,013
Administrative costs	163,638	86,298
Utilities, supplies, and maintenance	734,127	835,578
Insurance	50,822	52,961
Automobile and travel	189,622	229,942
Professional and directors fees	321,222	149,930
Research expense	-	39,690
Total operating expenses	3,885,393	3,771,634
Operating income before depreciation and amortization	1,402,932	1,414,013
Depreciation and amortization	(708,830)	(727,832)
Operating income	694,102	686,181
Nonoperating revenues (expenses):		
Interest income	5,712	7,265
Gain on disposal of assets	225,268	29,658
Interest expense	(12,426)	(103,652)
Total nonoperating revenues (expenses)	218,554	(66,729)
Change in net position	912,656	619,452
Net position, beginning of year, as originally stated	14,521,270	13,901,818
Prior period adjustment	224,806	-
Net position, beginning of year, as restated	14,746,076	13,901,818
Net position, ending	$ 15,658,732	$ 14,521,270

The accompanying notes are an integral part of this statement.

RED RIVER AUTHORITY OF TEXAS
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from customers and users	$ 5,055,211	$ 5,214,269
Cash payments to suppliers for goods and services	(1,991,256)	(1,995,546)
Cash payments to employees for services	(1,872,268)	(1,831,067)
Customer deposits received	-	2,000
Net cash provided by operating activities	1,191,687	1,389,656
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(37,166)	(1,778,167)
Interest paid on revenue bonds	(12,426)	(103,652)
Principal paid on note payable	-	(5,566)
Acquisition of capital assets	(643,329)	(289,297)
Proceeds from sale of equipment	16,379	32,182
Net cash used in capital and related financing activities	(676,542)	(2,144,500)
Cash flows from investing activities:		
Proceeds from sale of investments	63,931	597,425
Purchases of investments	(73,777)	(106,059)
Interest received on investments	5,712	7,265
Net cash provided by (used in) investing activities	(4,134)	498,631
Net increase (decrease) in cash and cash equivalents	511,011	(256,213)
Cash and cash equivalents, beginning	3,179,103	3,435,316
Cash and cash equivalents, ending	$ 3,690,114	$ 3,179,103

	2015	2014
Displayed as:		
Current Assets:		
Cash and short-term investments	$ 3,623,477	$ 3,119,748
Restricted Assets:		
Cash and short-term investments	66,637	59,355
	$ 3,690,114	$ 3,179,103

The accompanying notes are an integral part of this statement.

RED RIVER AUTHORITY OF TEXAS
STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2015 and 2014

	2015	2014
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$ 694,102	$ 686,181
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	708,830	727,832
Change in assets and liabilities:		
(Increase) decrease in trade receivables	(250,976)	42,631
(Increase) decrease in prepaid expenses	4,278	(10,509)
(Increase) decrease in inventory	5,210	2,178
(Increase) in net pension obligation	-	(60,290)
(Increase) in net pension assets and related deferred outflows	(74,833)	-
Increase (decrease) in trade accounts payable	86,073	8,406
Increase (decrease) in accrued liabilities	1,141	5,236
Increase (decrease) in unearned revenues	18,862	(14,011)
Increase (decrease) in deposits	(1,000)	2,000
Total adjustments	497,585	703,473
Net cash provided by operating activities	$ 1,191,687	$ 1,389,654

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

B. Basis of Presentation

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

D. Budgetary Accounting

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

E. Cash and Short-Term Investments

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

F. Accounts Receivable

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

G. Inventory

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

H. Capital Assets and Depreciation

Capital assets are recorded at their historical cost except for contributed assets which are recorded at their fair market value at the time donated. Interest is capitalized on construction projects until substantially completed.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

I. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of financial resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no deferred inflows of resources.

J. Direct Financing Arrangements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Vacation and Sick Leave

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

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

L. Restricted Assets

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

M. Pensions

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

N. Estimates

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

O. Change in Accounting Policies

In June, 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27," and in November 2013, GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Amendment of GASB No. 68", both effective for fiscal years beginning after June 15, 2014. The Authority has implemented the provisions of the Statements for the year ended September 30, 2015.

The Statements require numerous new pension disclosures in the notes to the financial statements and two new 10-year, pension-related charts as required supplementary information. Also, for the first time the Authority is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension asset (liability). The reporting of these new amounts on the financial statements will require the restatement of the beginning net position as of September 30, 2014. Information to restate activity for the year ended September 30, 2014 was not computed by TCDRS.

2. DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

The Authority shall utilize as depositories only federal and state chartered banking institutions within the territorial jurisdiction of the Authority. At September 30, 2015 and 2014, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $2,587,817 and $2,664,020, respectively and the bank balance was $2,712,951 and $2,681,764, respectively. The Authority's cash deposits at September 30, 2015 and 2014 were adequately covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name in accordance with Chapter 2257, Texas Government Code (Collateral for Public Funds Act).

B. Investments

The Authority is required by Government Code Chapter 2256 under the Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of

2. DEPOSITS AND INVESTMENTS, Continued

return, (6) maximum allowable stated maturity or portfolio investments, (7) investment staff quality and capabilities, and (8) bid solicitation preferences for certificates of deposit.

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

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

The Authority's investments at September 30, 2015 and 2014 are shown below:

	2015		2014	
Investment or Investment Type	Weighted Maturity (Months)	Fair Value	Weighted Maturity (Months)	Fair Value
TexPool	1.0	$ 3,558,453	1.0	$ 2,981,777
Certificates of Deposit	4.0	2,466,048	4.5	2,462,011
		$ 6,024,501		$ 5,443,788

C. Analysis of Specific Deposit and Investment Risks

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

2. DEPOSITS AND INVESTMENTS, Continued

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

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

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

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

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

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

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

D. Investment Accounting Policy

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

2. DEPOSITS AND INVESTMENTS, Continued

E. Public Funds Investment Pools

Public Funds Investment Pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The State Comptroller of Public Accounts (State Comptroller) exercises oversight responsibility over TexPool, the Authority approved Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review investment policy and management fee structure. Finally, TexPool is rated AAA-m by Standard and Poors.

TexPool operates in a manner consistent with Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

3. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2015 and 2014 was as follows:

At September 30, 2015

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated:				
Land and easements	$ 359,440	$ -	$ -	$ 359,440
Construction in progress	101,925	503,676	502,010	103,591
Total capital assets not being depreciated	461,365	503,676	502,010	463,031
Capital assets being depreciated:				
Water storage rights	1,222,700	-	-	1,222,700
Water systems	16,301,879	473,239	193,000	16,582,118
Machinery and equipment	1,095,978	17,303	-	1,113,281
Building	968,554	-	-	968,554
Furniture and fixtures	353,809	31,386	-	385,195
Motor vehicles	526,079	98,908	73,762	551,225
Total capital assets being depreciated	20,468,999	620,836	266,762	20,823,073
Less accumulated depreciation for:				
Water storage rights	234,748	7,470	-	242,218
Water systems	10,794,634	492,491	97,719	11,189,406
Machinery and equipment	802,038	73,241	-	875,279
Building	257,530	33,781	-	291,311
Furniture and fixtures	304,343	22,016	-	326,359
Motor vehicles	358,741	79,831	73,762	364,810
Total accumulated depreciation	12,752,034	708,830	171,481	13,289,383
Total capital assets being depreciated, net	7,716,965	(87,994)	95,281	7,533,690
Total capital assets, net	$ 8,178,330	$415,682	$597,291	$ 7,996,721

3. CAPITAL ASSETS, Continued

At September 30, 2014

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Capital assets not being depreciated:				
Land and easements	$ 361,963	$ -	$ 2,523	$ 359,440
Construction in progress	93,099	168,009	159,183	101,925
Total capital assets not being depreciated	455,062	168,009	161,706	461,365
Capital assets being depreciated:				
Water storage rights	1,222,700	-	-	1,222,700
Water systems	16,160,990	140,889	-	16,301,879
Machinery and equipment	1,083,326	12,652	-	1,095,978
Building	968,554	-	-	968,554
Furniture and fixtures	331,875	21,934	-	353,809
Motor vehicles	518,653	104,994	97,568	526,079
Total capital assets being depreciated	20,286,098	280,469	97,568	20,468,999
Less accumulated depreciation for:				
Water storage rights	227,276	7,472	-	234,748
Water systems	10,287,502	507,132	-	10,794,634
Machinery and equipment	724,510	77,528	-	802,038
Building	223,749	33,781	-	257,530
Furniture and fixtures	285,139	19,204	-	304,343
Motor vehicles	373,593	82,716	97,568	358,741
Total accumulated depreciation	12,121,768	727,833	97,568	12,752,034
Total capital assets being depreciated, net	8,164,330	(447,364)	-	7,716,965
Total capital assets, net	$ 8,619,392	$(279,355)	$ 161,706	$ 8,178,330

In September 2015, the Preston Shores pump station suffered lightning damage. Based on negotiations with the insurance carrier, the Authority has recorded a receivable of $325,000 for their insured loss. The historical depreciated cost of the equipment and certain construction in progress at the time of the lightning strike was determined to be $116,111. Therefore, a gain on impairment of this equipment of $208,889 has been reflected on the statement of activities for the year ended September 30, 2015.

4. LONG-TERM DEBT

Bonds payable and transactions for the years ended September 30, 2015 and 2014 are summarized as follows:

At September 30, 2015

	Balance 10/1/14	Issued	Retired	Balance 9/30/15	Due Within One Year
Water revenue bonds	$710,833	$ -	$37,166	$673,667	$38,134
Loan	-	-	-	-	-
Totals	$710,833	$ -	$37,166	$673,667	$38,134

At September 30, 2014

	Balance 10/1/13	Issued	Retired	Balance 9/30/14	Due Within One Year
Water revenue bonds	$2,489,002	$ -	$1,778,169	$710,833	$37,166
Loan	5,567	-	5,567	-	-
Totals	$2,494,569	$ -	$1,783,736	$710,833	$37,166

Water Revenue Bonds

Water revenue bonds are comprised of the following individual issue as of September 30, 2015:

	Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Outstanding at 9/30/15	Outstanding at 9/30/14
Series 2010	1.93%	08-15-30	$26,600 to $53,600	$849,200	$ 673,667	$ 710,833

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

4. LONG-TERM DEBT, Continued

On September 24, 2014, the Authority used interest and sinking funds and other cash reserves to initiate a cash defeasance of its Series 1981-A, Series 1991, and Series 1997 water revenue bonds. The Authority deposited $1,243,436, including a $15,000 delivery date expense, to initiate the defeasance. The deposit amount paid all interest due on the issues due October 1, 2014, as well as interest and principal on the defeased debt. A payment from the escrow of $1,175,020 was made on October 28, 2014 to pay off $1,170,000 of debt. The remaining $19,475 was paid from the escrow fund on the call date of remaining debt on April 1, 2015. The result of the defeasance is a cash flow savings of almost $90,000 had the defeasance not been completed.

The annual requirements to pay principal and interest on the long-term obligation outstanding as of September 30, 2015 are as follows:

Year Ending September 30,	Bond	
	Principal	Interest
2016	$ 38,134	$ 12,558
2017	32,333	12,372
2018	39,800	12,068
2019	40,800	11,672
2020	41,800	11,188
2021 – 2025	225,600	44,850
2026 – 2030	255,200	19,032
Totals	$673,667	$123,740

5. DIRECT FINANCING ARRANGEMENT DEBT

The bonds issued under direct financing arrangements represent, in substance, obligations of those entities on whose behalf they were issued and are not reflected on the Authority's financial statements. The following is a summary of changes in the direct financing arrangement obligations for the year ended September 30, 2015:

	Debt Outstanding October 1, 2014	New Obligations Issued	Obligations Retired or Refunded	Debt Outstanding September 30, 2015
Bonds issued under direct financing arrangements	$95,750,000	$ -	$ -	$95,750,000

5. DIRECT FINANCING ARRANGEMENT DEBT, continued

Direct financing bonds payable at September 30, 2015, comprise the following individual issuances:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Debt Outstanding September 30, 2015
Pollution Control Revenue Bonds –					
Celanese Corporation – Series 2002A	6.45%	11-01-30	$ 4,990,000*	$ 4,990,000	$ 4,990,000
Celanese Corporation – Series 2002B	6.70%	11-01-30	27,460,000*	27,460,000	27,460,000
AEP Texas North Company, Public Service Company of Oklahoma and AEP Texas Central Company-Series 2007	4.45%	06-01-20	63,300,000*	63,300,000	63,300,000
Total direct financing bonds				$ 95,750,000	$ 95,750,000

* Term payment at maturity

In January 2010, the Authority was notified by the Internal Revenue Service (IRS) that it had selected the $50,000,000 Red River Authority of Texas Solid Waste Disposal Revenue Bonds (Panda Hereford Ethanol, L.P. Project) Series 2006, for a routine examination to determine compliance with federal tax requirements. The responsibility for submitting the information requested by the IRS would normally fall on the entity for which the bonds were issued. However, since Panda Hereford declared bankruptcy in April 2009, the IRS determined the responsibility for providing the requested information and completing the arbitrage calculation lay with the Authority. The Authority employed its bond counsel and financial consultant to prepare the arbitrage rebate report and respond to the IRS. The arbitrage rebate report reflected that there was no liability to the IRS related to this bond issue, therefore, since no liability exists, under the reporting rules there was no requirement to file documents with the IRS. As of September 30, 2015, the IRS has not responded to any of the information submitted.

6. COMMITMENTS AND CONTINGENT LIABILITIES

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

6. COMMITMENTS AND CONTINGENT LIABILITIES, continued

Seven of the Authority's water systems have been issued Administrative Enforcement Orders by the Environmental Protection Agency (EPA) for being in violation of the United States Environmental Protection Agency's (EPA) Safe Drinking Water Act (SDWA) regulations, for exceeding the maximum contaminate level for nitrates. High nitrate levels are a common problem with water systems utilizing ground water not only in Texas, but across the nation. The Authority is satisfying all noncompliance requirements of notifying the customers by letter on a quarterly basis, furnishing affected customers with bottled water reimbursement, and developing compliance plans for each system affected. Currently four (4) of the systems have been brought into compliance with the SDWA while compliance plans are being developed for the remainder of the systems. Due to the remote locations of the Authority's affected systems and the lack of other available water supplies near the systems, extensive capital outlay and increased operating costs will be required to bring the systems into compliance.

In 2004, the Authority was notified that two water systems were in violation of the SDWA's maximum contaminant level for total trihalomethanes (TTHMs). In 2006, the Authority was notified that one water system was also in violation of the SDWA's maximum contaminant level for Halocetic Acids (HAA5s). These violations were brought about by the EPA lowering the maximum contaminant level effective January 1, 2004 and are not associated with operational treatment techniques.

In compliance with an agreed enforcement order between the TCEQ and the Authority, the Authority continues to send Notice of Violation letters to each customer on these systems quarterly and will continue to do so until released by the TCEQ. Various treatment techniques have been tried but have proven to be ineffective in lowering the TTHMs to date. The Authority is still in the process of finding an effective treatment technique which will be approved by the TCEQ.

The EPA is constantly changing the requirements for chemical constituent levels and water treatment methods, which are then implemented by the TCEQ. A possible requirement is the lowering of the arsenic maximum contaminant level. Arsenic is a naturally occurring chemical found in surface waters, such as Lake Arrowhead. The EPA reduced the maximum contaminant level for arsenic from 5ppb to 1ppb. Although Lake Arrowhead levels are just below the new maximum contaminant level, it has indicated a slow increase over the years. Should the level continue to increase, the Lake Arrowhead Water System may be required to implement reverse osmosis treatment to remove the arsenic as it is currently the only approved treatment which will require a major capital outlay.

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority provides retirement, disability, and death benefits for all of its full-time employees through an agent multiple-employer defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans in 2014. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

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

The employer's regular contribution rate was 7% for 2012, 2013 and 2014, which was in excess of the Authority's compliant rates of 2.72%, 3.08% and 3.70% for those respective years. The deposit rate payable by the employee members for the years 2012, 2013, and 2014 was the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

7. DEFINED BENEFIT PENSION PLAN, continued

Contributions to the Plan in 2014 was as follows:

Members (Employees)	$ 96,084
Employer (Authority)	96,084
Total contributions	$192,168

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14.8 Years
Asset Valuation Method	5 Year Non-asymptomatic
Discount Rate	8.10%
Long-term Expected Investment Rate of Return *	8.10%
Salary Increases *	2.5%
Cost of Living Adjustments	0.00%

* - Includes inflation at 3.00%

The actuarial methods and assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012, except where required to be different by GASB 68.

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 fiscal 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.

7. DEFINED BENEFIT PENSION PLAN, continued

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are based on January 2015 information for a 7-10 year time horizon.

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

[1] Target asset allocation adopted at the April 2015 TCDRS Board Meeting.

[2] Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions

[3] Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

[4] Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

7. DEFINED BENEFIT PENSION PLAN, continued

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2013	$5,663,736	$6,628,261	($964,525)
Changes for the year:			
Service cost	179,324	-	179,324
Interest on total pension liability [1]	459,093	-	459,093
Effect of economic/demographic gains or losses	44,989	-	44,989
Benefit payments/refunds	(171,004)	(171,004)	-
Administrative expenses	-	(5,286)	5,286
Member contributions	-	96,084	(96,084)
Net investment income	-	444,841	(444,841)
Employer contributions	-	96,084	(96,084)
Other [2]	-	9,359	(9,359)
Balances as of December 31, 2014	$6,176,139	$7,098,339	($922,200)

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Relates to allocation of system-wide items.

Net Pension Liability / (Asset)	December 31, 2013	December 31, 2014
Total Pension Liability	$5,663,736	$6,176,139
Fiduciary Net Position	6,628,261	7,098,339
Net Pension Liability (Asset)	(964,525)	(922,200)
Fiduciary Net Position as a % of Total Pension Liability	117.03%	114.93%
Pensionable Covered Payroll [1]	1,336,446	1,372,634
Net Pension Liability as a % of Covered Payroll	(72.17%)	(67.18%)

Note: Rounding differences may exist above or in other tables within this note.
[1] Payroll is calculated based on contributions as reported to TCDRS.

7. DEFINED BENEFIT PENSION PLAN, continued

Pension Expense

	January 1, 2014 to December 31, 2014
Service cost	$179,324
Interest on total pension liability [1]	459,093
Administrative expenses	5,286
Member contributions	(96,084)
Expected investment return net of investment expenses	(543,178)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	8,998
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	19,667
Other [2]	(9,359)
Pension expense	$ 23,748

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*
[2] *Relates to allocation of system-wide items.*

Deferred Outflows / Inflows of Resources

As of December 31, 2014, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,991	$ -
Net difference between projected and actual earnings	78,670	-
Contributions made subsequent to measurement date (January 2015 – September 2015)	73,962	-
Total	$188,623	$ -

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

Year Ended December 31:	
2015	$28,665
2016	28,665
2017	28,665
2018	28,665

For the year ended December 31, 2014, there were no changes to the Plan relative to assumptions and benefit terms.

7. DEFINED BENEFIT PENSION PLAN, continued

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$6,964,856	$6,176,139	$5,518,001
Fiduciary net position	7,098,339	7,098,339	7,098,339
Net pension (asset) / liability	($ 133,483)	($ 922,200)	($1,580,338)

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	16
Active employees	30

8. PUBLIC ENTITY RISK POOL

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

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

9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Significant financial data for identifiable activities included as part of the government-wide presentation are as follows at September 30, 2015:

	Utility Division	Environmental Services Division	Other Enterprise Funds
Condensed Statement of Net Position			
Assets:			
Current assets	$ 4,230,879	$ 136,399	$ 13,054
Restricted assets	88,380	-	38,750
Capital assets	6,648,582	183,314	-
Noncurrent assets	-	-	-
Total assets	10,967,841	319,713	51,804
Liabilities:			
Current liabilities	4,433,599	115,607	13,054
Noncurrent liabilities	1,226,281	-	-
Total liabilities	5,659,880	115,607	13,054
Net position:			
Net investment in capital assets	5,430,311	177,308	-
Restricted net position	88,380	-	-
Unrestricted net position	(210,730)	26,798	38,750
Total net position	$ 5,307,961	$ 204,106	$ 38,750
Condensed Statement of Revenue, Expenses, and Changes in Net Position			
Operating revenues	$ 4,303,566	$ 733,559	$ 19,725
Operating expense	3,714,638	793,772	22
Operating income (loss)	588,928	(60,213)	19,703
Nonoperating revenues (expenses)	160,677	(724)	22
Operating transfers and other credits	-	-	(19,725)
Change in net position	749,605	(60,937)	-
Beginning net position	4,558,356	265,043	38,750
Ending net position	$ 5,307,961	$ 204,106	$ 38,750

9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS, Continued

	Utility Division	Environmental Services Division	Other Enterprise Funds
Condensed Statement of Cash Flows			
Net cash provided by (used in):			
Operating activities	$ 932,725	$ 30,157	$ 19,703
Noncapital financing activities	-	-	(19,725)
Capital and related financing activities	(526,433)	(23,574)	-
Investing activities	(24,716)	-	2,242
Net increase (decrease)	381,576	6,583	2,220
Beginning cash and cash equivalents	(2,194,010)	(107,320)	18,092
Ending cash and cash equivalents	$ (1,812,434)	$ (100,737)	$ 20,312

10. NEW PRONOUNCEMENTS

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

Statement No. 72 – Fair Value Measurement and Application effective for periods beginning after June 15, 2015,

Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68,

An amendment to certain provisions of GASB Statements 67 and 68 which is effective for fiscal years beginning after June 15, 2016, and

Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments which is effective for periods beginning after June 15, 2015.

None of these pronouncements are expected to have any significant impact on the Authority when effective.

11. PRIOR PERIOD ADJUSTMENT

In the current year the Authority implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27, as that statement is effective for fiscal years beginning on or after June 15, 2014. Implementation of this statement was made to improve accounting and financial reporting by the Authority for pensions provided by the TCDRS as described in Note 7. Implementation required a prior period adjustment to beginning net position as of October 1, 2014. The prior period adjustment to increase beginning unrestricted net position is composed of the following September 30, 2014 amounts:

Net pension asset at 12/31/2013 reporting date	$964,525
Net of deferred outflows of resources for contributions from 10/1/2013 to 9/30/2014	71,465
Net pension obligation as of 9/30/2014 under GASB 27 for pension contributions in excess of ARC	(811,184)
Prior period adjustment	$224,806

Since complete pension liability and expense data is not available for periods prior to September 30, 2014, the effect of the prior period adjustment on the change in net position for the fiscal year ended September 30, 2014, is not determinable.