



Control Number: 48005



Item Number: 1

Addendum StartPage: 0



## **Application for Sale, Transfer, or Merger of a Retail Public Utility**

Pursuant to Chapter 13.251 of the Texas Water Code

**Docket Number: 180051**

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas  
Attention: Filing Clerk  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System  
1700 N. Congress Ave, Room B40  
Austin, Texas 78701

### **TABLE OF CONTENTS**

<b>Part A – General Information.....</b>	<b>2</b>
<b>Part B – Current Service Provider or Seller Information.....</b>	<b>2</b>
<b>Part C – Purchaser or Transferee Information .....</b>	<b>3</b>
<b>Part D – Historical Financial Information .....</b>	<b>9</b>
<b>Part E – Projected Information .....</b>	<b>12</b>
<b>Part F – Public Water System Information .....</b>	<b>16</b>
<b>Part G – Oaths and Notices .....</b>	<b>18</b>

Part A – General Information

\*RN# TX2440003 \*CN# 10631 \* (PRIOR TCEQ ID numbers)

1. Proposed action of application (check all the boxes that apply):

☒ Sale of ☒ All ☐ Portion of the ☒ Water system(s) under CCN No.: 10631  
☐ Acquisition ☐ Sewer system(s) under CCN No.:  
☐ Lease/Rental

☒ Transfer of ☒ All ☐ Portion of the ☒ Certificated water service area – CCN No.: 10631  
☐ Certificated sewer service area – CCN No.:

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

and to:

☐ Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN  
☒ Amend the transferee's CCN No.: 10202  
☐ Merge or consolidate public utilities  
☒ Cancel CCN of the transferor (seller) 10631

2. Proposed effective date of this transaction: 8/1/2018

(Must be at least 120 days after proper notice is provided)

Part B – Current Service Provider or Seller Information

Questions 3 through 5 apply to the transferor (current service provider or seller)

3. For the current CCN holder or service provider please indicate:

A. Name: Northside Water Supply Corporation  
(Individual, Corporation or Other Legal Entity)

who is a(n):of ☐ Individual ☐ Corporation ☒ WSC ☐ HOA or POA ☐ Other

B. Utility Name (if different than above):  
Address: 11502 FM 924 W Vernon, Texas Telephone: (AC) (940) 887-9041

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Dan White Title: President  
Address: 11502 FM 924 W Vernon, Texas 76384 Telephone: (AC) (940) 887-9041

Fax: Email: 

4. About the last rate increase for the system or facilities being transferred:

A. What was the effective date of the last rate increase?

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

☒ No ☐ Yes- Application/Docket Number:  Date

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
See attached. Note that Northside WSC does not have any customer deposits.			

### Part C – Purchaser or Transferee Information

☛ Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant:   
(Individual, Corporation, or Other Legal Entity)

Utility Name:   
(If different than above)

Utility Address:

Fax:  Email:  Telephone (AC):

CCN Numbers held prior to the filing of this application:

7. Check the appropriate box and provide information regarding the legal status of the transferee applicant:

- ☐ Individual  
☐ Home or Property Owners Association  
☐ Partnership; attach copy of partnership agreement  
☐ Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas:   
☐ Non-profit, member owned, member-controlled Cooperative Corporation (Article 1434(a) Water Sewer Service Corporation); provide charter number:

<input type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input checked="" type="checkbox"/>	Other (please explain): River Authority

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:		Email	
Address			
Telephone (AC):		Fax (AC):	

9. If the applicant is other than an *Individual*, provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	Nathan J. (Jim) Bell	Telephone (AC):	(903) 785-5578
Address:	2221 Lamar Avenue, Paris, Texas 75460		
Position:	President	Ownership % (if applicable):	0.00%

•Name:	C. Cole Camp	Telephone (AC):	(806) 379-7217
Address:	4402 Charlene Avenue, Amarillo, Texas 79106		
Position:	Vice President	Ownership % (if applicable):	0.00%

•Name:	Penny C. Carpenter	Telephone (AC):	(806) 847-2262
Address:	1899 CR 12, Silverton, Texas 79257		
Position:	Secretary	Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

- Attach additional sheet(s) if necessary -

- ☛ **Important:** • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

Texas Comptroller of Public Accounts

P. O. Box 13528, Capitol Station

Austin, Texas 78711

1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Randy Whiteman	Title:	Assistant General Manager
Address:	PO Box 240, Wichita Falls, Texas 76310	Telephone (AC):	(940) 723-8697
Fax #	(940) 723-8531	Email	randy.whiteman@rra.texas.gov
Relationship to the applicant:	Assistant General Manager		

**IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY**

11. Please respond to each of the following questions. Attach additional sheets if necessary.

- A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

Red River Authority has managed water systems in the State of Texas for over 50 years. The Authority currently manages 33 water systems servicing over 3,800 meters in 15 Texas counties.

- B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? ☒ Yes ☐ No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

The Authority (like Northside WSC) is under mandate by the EPA to reduce the nitrate level in the drinking water of its Systems. The Authority is currently engineering for bid a new transmission line to bring treated nitrate compliant water from the City of Vernon to solve the nitrate problem in the Authority's Hinds-Wildcat System and the acquired Northside System.

- C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and PUC and ensure continuous and adequate service.

The Authority recently sold 15 million dollars in bonds to fund the necessary improvements to their Systems as mandated by the TCEQ and EPA.

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

The quality of the service should increase as the Authority has paid licensed staff supported by a maintenance division. The Northside WSC is served by volunteer members using personal equipment augmented by the occasional contractor.

E. How will the transaction serve the public interest?

The Northside WSC cannot meet the mandate given to them by the EPA and can no longer maintain compliance with ever increasing TCEQ regulations.

12. Please describe the nature of the proposed transaction:

The Northside WSC will transfer all of its assets related to its water supply system to the Red River Authority, and cease operations. The Authority will then assume control and operation of the System and incorporate it as part of its Hinds Wildcat System.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

A.

- Total Purchase Price:
- Total Original Cost (as recorded on books of seller or merging entity):
- Accumulated Depreciation as of the proposed effective date of the transaction:
- Contributions in Aid of Construction:
  - Specific surcharges approved by TCEQ or PUC:
  - Revenues from explicit customer agreements:
  - Developer Contributions (please explain):

- Other Contributions (please explain):

Total Contributions in Aid of Construction

- Net Book Value:

 If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number:		Date:	
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 If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.  
[attach additional sheet(s) if necessary]:

--

C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	
Plant Acquisition Adjustment:	
Extraordinary Loss on Purchase:	
Accumulated Depreciation of Plant:	
Cash:	
Notes Payable:	
Mortgage Payable:	
Others (please list):	

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials:  Date:

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

☐ All the customers will be charged the same rates as they were charged before the transaction.

☐ Some ☒ All customers will be charged different rates than they were charged before the transaction.



If rates are changing, please explain:

Red River Authority has one system wide rate, and that rate will be charged to the new customers. The new RRA rate is more than the rate currently charged by the Northside WSC. However, the RRA rate is less than the projected rate that Northside WSC anticipated having to charge if they made the necessary improvements to meet the EPA standards. Red River Authority's Rate Schedule is attached to this Application.

☐ Applicant is an IOU and intends to file with the commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

☐ Other. Please explain:

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

N/A

16. Financial, Managerial and Technical information for the acquiring entity.

# Part D – Historical Financial Information

<b>HISTORICAL BALANCE SHEETS</b>	<b>CURRENT YEAR (A)</b>	<b>A-1 YEAR</b>	<b>A-2 YEAR</b>	<b>A-3 YEAR</b>	<b>A-4 YEAR</b>	<b>A-5 YEAR</b>
<b>CURRENT ASSETS</b>						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
<b>Total</b>						
<b>FIXED ASSETS</b>						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
<b>Total</b>						
<b>TOTAL ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
<b>TOTAL</b>						
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term						
Other						
<b>TOTAL LIABILITIES</b>						
<b>OWNER'S EQUITY</b>						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
<b>TOTAL OWNER'S EQUITY</b>						
<b>TOTAL LIABILITIES AND EQUITY</b>						
<b>WORKING CAPITAL</b>						
<b>CURRENT RATIO</b>						
<b>DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS</b>						

<b>HISTORICAL INCOME STATEMENT</b>	<b>CURRENT YEAR (A)</b>	<b>A-1 YEAR</b>	<b>A-2 YEAR</b>	<b>A-3 YEAR</b>	<b>A-4 YEAR</b>	<b>A-5 YEAR</b>
<b>METER NUMBER</b>						
Existing Number of Taps						
New Taps Per Year						
<b>Total Meters at Year End</b>						
<b>METER REVENUE</b>						
Fees Per Meter						
Cost Per Meter						
<b>Operating Revenue Per Meter</b>						
<b>GROSS WATER REVENUE</b>						
Fees						
Other						
<b>Gross Income</b>						
<b>OPERATING EXPENSES</b>						
General & Administrative						
Interest						
Other						
<b>NET INCOME</b>						

<b>HISTORICAL EXPENSE DETAIL</b>	<b>CURRENT YEAR (A)</b>	<b>A-1 YEAR</b>	<b>A-2 YEAR</b>	<b>A-3 YEAR</b>	<b>A-4 YEAR</b>	<b>A-5 YEAR</b>
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>OPERATIONAL EXPENSES</b>						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**Part E – Projected Information**

**PROJECTED BALANCE SHEETS**

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>CURRENT ASSETS</b>						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
<b>Total</b>						
<b>FIXED ASSETS</b>						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
<b>Total</b>						
<b>TOTAL ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
<b>Total</b>						
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term						
Other						
<b>TOTAL LIABILITIES</b>						
<b>OWNER'S EQUITY</b>						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
<b>TOTAL OWNER'S EQUITY</b>						
<b>TOTAL LIABILITIES AND EQUITY</b>						
<b>WORKING CAPITAL</b>						
<b>CURRENT RATIO</b>						
<b>DEBT TO EQUITY RATIO</b>						
<b>EQUITY TO TOTAL ASSETS</b>						

**PROJECTED INCOME STATEMENT**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>METER NUMBER</b>						
Existing Number of Taps						
New Taps Per Year						
<b>Total Meters at Year End</b>						
<b>METER REVENUE</b>						
Fees Per Meter						
Cost Per Meter						
<b>Operating Revenue Per Meter</b>						
<b>GROSS WATER REVENUE</b>						
Fees						
Other						
<b>Gross Income</b>						
<b>OPERATING EXPENSES</b>						
General & Administrative						
Interest						
Other						
<b>NET INCOME</b>						

**PROJECTED EXPENSE DETAIL**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>OPERATIONAL EXPENSES</b>						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**PROJECTED SOURCES AND USES OF CASH STATEMENTS**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>SOURCES OF CASH</b>						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
Other						
<b>Total Sources</b>						
<b>USES OF CASH</b>						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
<b>Total Uses</b>						
<b>NET CASH FLOW</b>						
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt						
<b>SERVICE (CADS)</b>						
Net Income (Loss)						
Depreciation, or Reserve Interest						
<b>Total</b>						
<b>REQUIRED DEBT SERVICE (RDS)</b>						
Principle Plus Interest						
<b>DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by RDS						



## Part F – TCEQ Public Water or Sewer System Information

- ☛ Please answer questions 17 through 22 on a different sheet for each physically Distinct system being transferred or acquired.

17. A. For Water Systems. TCEQ Public Water System Identification Number:

2	4	4	0	0	0	3
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Date of last inspection: April 14, 2016

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q  -   
 -Name of Permittee:   
 -Date of application to transfer Discharge Permit submitted:   
 -Date of application to transfer Discharge Permit approved by TCEQ:

18. A. Are any improvements required to meet TCEQ or PUC standards? ☒ Yes ☐ No. If yes, please explain:

The Authority is currently preparing plans to run a water line from Hinds to the Northside System. Once the line is completed, the Authority will begin to buy treated water from Vernon to supply the Hinds-Wildcat and Northside systems to address the nitrate issue.

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ or PUC standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
New transmission line to bring treated water to the system	10/1/2019	\$ 1,000,000.00

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:  
                     Water                      Sewer

- ☛ Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☒ Yes ☐ No  
☒ Water ☐ Sewer Purchased on a ☒ Regular ☐ Seasonal ☐ Emergency Basis

• Source: City of Vernon % of total supply: 100.00%

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2" meter	-Residential Connection	
80	-5/8" or 3/4" meter		-3" meter	-Commercial Connection	
1	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			81	Total Sewer Connections	

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No  
 If yes, please explain what steps are being taken to address the capacity issues:

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#
Terry Dyer	Class C Groundwater Water	WG0010400
Terry Dyer	Class B Water Distribution	WD0005497
Terry Dyer	Customer Service Inspector	CI0005392

24. Attach the following maps with each copy of the application:

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
  1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
  2. A map showing only the proposed area by:
    - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
    - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
    - iii. following verifiable natural and man-made landmarks, or
    - iv. a copy of recorded plat map with metes and bounds.
  3. A written description of the proposed service area.

Part G – Oaths and Notices

**OATH FOR SELLER OR FORMER SERVICE PROVIDER**

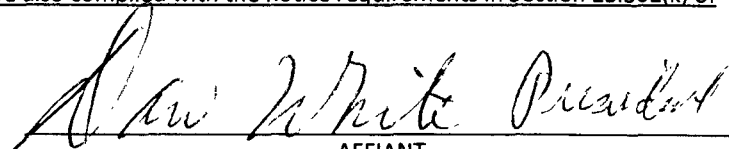
STATE OF Texas

COUNTY OF WICHITA

I, Dan White, being duly sworn, file this application for  
sale, lease, rental or merger or consolidation as President

(***indicate relationship to applicant***) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant; that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

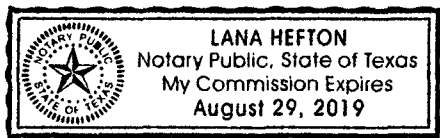
I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(i) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

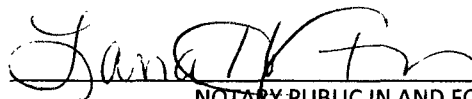
  
AFFIANT  
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this  
day 25 of Jan, 20 18.

SEAL



  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS  
Lana Hefton  
PRINT OR TYPE NAME OF NOTARY  
MY COMMISSION EXPIRES 8/29/2019

One copy of this page must be submitted for each utility involved in this transaction.

**OATH FOR PURCHASER OR ACQUIRING ENTITY**

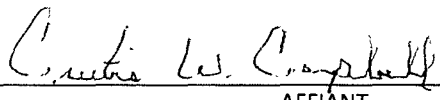
STATE OF Texas

COUNTY OF Wichita

I, Curtis W. Campbell, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as General Manager  
**(indicate relationship to applicant)** that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant; that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

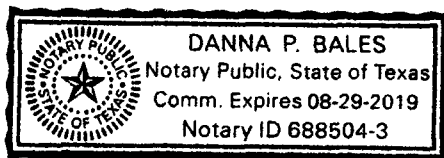
  
AFFIANT  
(Utility's Authorized Representative)

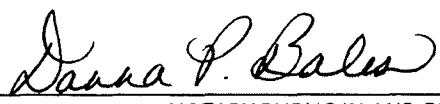
If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this  
day 25<sup>th</sup> of January, 20 18.

SEAL



  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

DANNA P. BALES  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

08-29-2019

One copy of this page must be submitted for each utility involved in this transaction.

**Notice to Current Customers, Neighboring Systems and Cities**

\_\_\_\_\_'S  
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO** \_\_\_\_\_ **TO** \_\_\_\_\_  
(Purchaser's or Transferee's Name)

**IN** \_\_\_\_\_ **COUNTY, TEXAS**

**To:** \_\_\_\_\_ **Date Notice Mailed** \_\_\_\_\_, 20 \_\_\_\_  
(Name of Customer, Neighboring System or City)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
City State Zip

Sellers or Transferors' Name	Address	City/State/Zip Code
has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. _____ in _____ [County Name]		
County to:		

Purchasers or Transferee's Name	Address	City/State/Zip Code
The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of the CCN include the following subdivision(s):		
_____		
The area subject to this transaction is located approximately _____ miles _____ [direction] of downtown _____, [City or Town] Texas, and is <b>generally</b> bounded on the north by _____; on the east by _____; on the south by _____; and on the west by _____		
The total area being requested includes approximately _____ acres and serves _____ current customers. This transaction will have the following effect on the current customer's rates and services:		
_____		

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk  
Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al  
1-888-782-8477**

---

Utility Representative

---

Utility Name

**Notice to Current Customers, Neighboring Systems, Landowner and Cities**

Northside Water Supply Corporation 'S NOTICE OF INTENT TO SELL FACILITIES TO  
(Seller's or Transferor's Name)

Red River Authority of Texas AND FOR Red River Authority of Texas  
(Purchaser's or Transferee's Name) Purchaser's or Transferee's Name

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN  
WILBARGER COUNTY, TEXAS

To: \_\_\_\_\_ Date Notice Mailed \_\_\_\_\_, 20 \_\_\_\_  
(Name of Customer, Neighboring System, Landowner or City)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
City State Zip

<u>Northside Water Supply Corporation</u>	<u>11502 FM 924</u>	<u>Vernon, Texas 76384</u>
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell water or sewer (please select) Facilities in Wilbarger [County Name] County to:

<u>Red River Authority of Texas</u>	<u>3000 Hammon Road</u>	<u>Wichita Falls, Texas 76310</u>
Purchasers or Transferee's Name	Address	City/State/Zip Code

The transferee has also requested to obtain/amend a CCN in this application. The sale is scheduled to take place as approved by the Commission (Texas Water Code §13.301). The transaction and the proposed service area include the following subdivision(s):

Northside, White City, and Fargo

The area subject to this transaction is located approximately 6.4 miles North [direction] of  
downtown Vernon, [City or Town] Texas, and is **generally** bounded on the north by  
FM 2916; on the east by CR 106 N  
;on the south by CR 114; and on the west by CR 103 N except for an additional 3.6 miles west of CR 103 N on both side of FM 924

The total area being requested includes approximately 16,000 acres and serves 81 current customers.  
This transaction will have the following effect on the current customer's rates and services:

Red River Authority has one System wide rate The Northside customers will be charged that rate of \$73.50 for the first 2,000 gallons, \$6 per thousand for the next 5,000 gallons and \$8.75 for each thousand gallons over 7,000

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no

protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk  
Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al  
1-888-782-8477**

Dan White

---

Utility Representative

Northside Water Supply Corporation

---

Utility Name



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**

**TRANSFER APPLICATION QUESTION 5 – NORTHSIDE WSC MEMBERSHIP LIST**

**\*\*Note:** As set forth in the Application, Northside WSC does not hold any customer deposits

DAN WHITE 11502 FM RD 924 W VERNON, TEXAS 76384 1966	ROGER BEAM 11660 FM RD 924 W VERNON, TEXAS 76384 3/3/1998
LARRY OSWALT 2803 MANSARD VERNON, TEXAS 76384 8/24/2006	BURT DOCKERY 4015 TEXAS ST VERNON, TEXAS 76384 6/9/2003
CLINT WHITE 16653 CR 99 N VERNON, TEXAS 76384 6/1/1998	DAVID NIX 10920 FM RD 924 W VERNON, TEXAS 76384 5/4/2006
CHRIS VICTORIA 10855 FM RD 924 W VERNON, TEXAS 76384 5/21/15	MATT MARTIN 16301 CR 101 N VERNON, TEXAS 76384 8/25/14
PAUL HARTIN P.O. BOX 1638 VERNON, TEXAS 76385-1638 6/9/2003	ANEITA RIGGINS 16896 CR 101 VERNON, TEXAS 76384 6/9/2003
TROY COLLIER 3602 CR 1 HAPPY, TEXAS 79042 6/13/2003	RANDY RIGGINS 903 CAT HOLLOW CLUB DR #3 SPICEWOOD, TEXAS 78669 6/30/2003
NATHAN CHRISTIAN 10162 FM RD 924 W VERNON, TEXAS 76384 1998	RICHARD JACOBS 2818 TOLAR ST VERNON, TEXAS 76384 1966
COLBY WHITE 9850 FM RD 924 W VERNON, TEXAS 76384 6/20/2016	LARRY THOMPSON 16671 CR 103 N VERNON, TEXAS 76384 1966
BECKY OGLESBY 16837 HWY 283 N VERNON, TEXAS 76384 6/18/2013	CHAD SMITH P.O. BOX 2155 VERNON, TEXAS 76385-2155 1/2/2012
RODNEY & BRENDA PRINCE 9836 CR 99 S VERNON, TEXAS 76384 1966	FARGO UNITED METHODISE CHURCH PAULA CLARKSON 21378 CR 103 N VERNON, TEXAS 76384 1966
NORTHSIDE ISD 18040 HWY 283 N VERNON, TEXAS 76384 1966	DERRICK OLIVER 18132 B HWY 283 N VERNON, TEXAS 76384 10/30/2015

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**

**TRANSFER APPLICATION QUESTION 5 – NORTHSIDE WSC MEMBERSHIP LIST**

CRYSTAL WHITE 18132 HWY 283 N VERNON, TEXAS 76384 1/2/2015	KATHY RIVERS 18140 HWY 283 N VERNON, TEXAS 76384 12/4/2008
LINDA ROBERTSON 18174 HWY 283 N VERNON, TEXAS 76384 9/24/2007	ROY TOLER 18182 HWY 283 N VERNON, TEXAS 76384 1/1/2003
CATALINA AVILA 18554 HWY 283 N VERNON, TEXAS 76384 10/27/2011	JONATHON VOELKEL 18762 HWY 283 N VERNON, TEXAS 76384 2/10/2014
JOE DALE WILSON 18936 HWY 283 N VERNON, TEXAS 76384 1966	UNITEX OIL & GAS 508 W WALL SUITE 1000 MIDLAND, TEXAS 79701 3/27/2012
WAYNE WALKER 18717 CR 105 N VERNON, TEXAS 76384 1966	ALTON CHAPMAN P.O. BOX 1755 VERNON, TEXAS 76385-1755 1966
MARK & SHAYLA MILLS 18463 CR 105 N VERNON, TEXAS 76384 11/4/2015	LLOYD NUGEN 17583 CR 105 N VERNON, TEXAS 76384 9/7/2005
SCOTT THOMAS 17525 CR 105 N VERNON, TEXAS 76384 7/7/2013	LLOYD WILLIAMS 17375 CR 105 N VERNON, TEXAS 76384 6/14/1994
FARGO GIN 17312 CR 105 N VERNON, TEXAS 76384 1966	TED HENDERSON 4617 FM RD 924 E VERNON, TEXAS 76384 8/12/2004
FARGO CHURCH OF CHRIST LARRY LATIMER PO BOX 6 OKLAUNION, TEXAS 76373 1966	MICHAEL LACY P.O. BOX 2032 VERNON, TEXAS 76385-2032 11/1/2005
MICHAEL & CARRIE KING 4438 FM RD 924 E VERNON, TEXAS 76384 1/7/2003	DIANNA SHUGART 4388 FM RD 924 E VERNON, TEXAS 76384 12/31/2010
JOYCE SPEARS 17199 CR 105 N VERNON, TEXAS 76384 5/1/2003	DAVID SEEDIG 17197 CR 105 N VERNON, TEXAS 76384 1990

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**

**TRANSFER APPLICATION QUESTION 5 – NORTHSIDE WSC MEMBERSHIP LIST**

H.B. COFFEE, JR 2809 WHEELER VERNON, TEXAS 76384 1966	DAVID DICKERSON 17117 CR 105 N VERNON, TEXAS 76384 8/20/1999
KOBE DICKERSON 17097 CR 105 N VERNON, TEXAS 76384 11/29/2002	BRIAN HOLLENBAUGH 16887 CR 105 N VERNON, TEXAS 76384 4/17/2010
CLAY SMITH 16854 CR 105 N VERNON, TEXAS 76384 12/19/2012	WALLACE H. & PATRICIA PRINGLE 16809 CR 105 N VERNON, TEXAS 76384 9/10/2009
TIM REEVES 16238 CR 105 N VERNON, TEXAS 76384 9/13/2010	J.R. & KAY FULLERTON 5457 CR 110 E VERNON, TEXAS 76384 10/10/2016
MARY JONES 5434 CR 110 E VERNON, TEXAS 76384 1966	TY COFFEE 4605 COUNTRY AIRE PLACE VERNON, TEXAS 76384 8/16/2004
WAYNE WARD 6834 CR 112 E VERNON, TEXAS 76384 8/1/2008	KEITH & ANGELA BRADFORD 1930 MEMORY LANE VERNON, TEXAS 76384 1/9/2013
ALAN RAY JONES 14525 CR 105 N VERNON, TEXAS 76384 1966	JUSTIN ACOSTA 14474 CR 105 N VERNON, TEXAS 76384 6/6/2012
BOB THOMAS 2204 15 <sup>TH</sup> STREET VERNON, TEXAS 76384 1966	ROGER HOPKINS 6170 CR 116 E VERNON, TEXAS 76384 1966
ROBERT FITZGERALD 4021 TEXAS ST VERNON, TEXAS 76384 1966	KURT & MOLLY LEMON 8613 CR 110 W VERNON, TEXAS 76384 3/1/2014
LYLE & MEGAN ABERNATHY 8598 CR 110 W VERNON, TEXAS 76384 11/7/2017	JOE SMITH 8613 CR 110 W VERNON, TEXAS 76384 1966
DENISE THOMAS 4232 CR 110 W VERNON, TEXAS 76384 11/15/2007	RICKY GOSS 4613 SAND ROAD VERNON, TEXAS 76384 8/9/2014

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**

**TRANSFER APPLICATION QUESTION 5 – NORTHSIDE WSC MEMBERSHIP LIST**

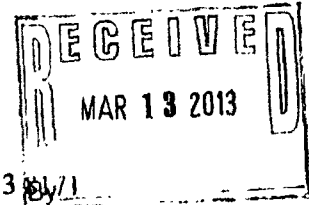
RON & CHARLOTTE JOHNSON 8205 CR 110 W VERNON, TEXAS 76384 6/5/2014	JOE DYKE MCMAHEN P.O. BOX 2163 VERNON, TEXAS 76384 12/14/2015
RYAN BARDELL 2914 TOLAR ST VERNON, TEXAS 76384 1/2/2017	

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
TRANSFER APPLICATION/QUESTION 11B-EPA CORRESPONDENCE**



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

REGION 6  
1445 ROSS AVENUE, SUITE 1200  
DALLAS, TEXAS 75202-2734



**CERTIFIED MAIL-RETURN RECEIPT REQUESTED: 7007 1490 0002 3413 8471**

Mr. Curtis Campbell  
Red River Authority of Texas  
d/b/a RRA Hinds Wildcat Water System  
P.O. Box 240  
Austin, TX 76307-0240

Re: PWS ID Number: TX2440005  
Administrative Order, Docket Number: SDWA-06-2013-1236

Dear Mr. Campbell:

Enclosed is an Administrative Order (Order) issued to Red River Authority of Texas (RRA), for violation of the Safe Drinking Water Act (Act), 42 U.S.C. § 300f, et seq., and its implementing regulations, 40 C.F.R. Part 141 at its Hinds Wildcat water system. The Environmental Protection Agency (EPA) finds that RRA owns or operates the public water system (PWS) identified in the Order and is therefore subject to these regulations. This Order requires certain actions and information demands.

This Order requires immediate compliance with the maximum contaminant level (MCL) for nitrate as set forth in Section 1412 of the Act, 42 U.S.C. § 300g-1. If immediate compliance is not possible, RRA must submit a treatment alternative with a construction and/or repair schedule that will achieve compliance no later than eighteen (18) months from the effective date of the enclosed Order. Compliance with the MCL for nitrate is based on a single quarterly sample. As described in the enclosed Order, RRA is required to deliver drinking water that meets the national standard for nitrate and to conduct quarterly monitoring to ensure compliance with the MCL. Please be aware that failure to comply with this Order may subject you to additional enforcement action by EPA, including the initiation of legal proceedings to seek monetary penalties.

EPA also wants you to be aware of a new process in Texas that was created to help facilities secure technical assistance and funding to address these types of issues. The Texas Water Infrastructure Coordination Committee (TWICC) was formed with representation from stakeholders, funding entities, and federal and state partners to identify water and wastewater infrastructure and compliance issues and to seek affordable, sustainable and innovative funding strategies for the protection of public health. If you feel your system could benefit from the TWICC, please let us know so that we can discuss the matter with you.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2013-1236

Page 2

level is within the MCL requirement. Respondent shall provide a written description to EPA and TCEQ within five (5) days of the violation describing how Respondent will make available drinking water to pregnant women and children under 6 months of age.

**SECTION 1445 INFORMATION DEMAND**

Based on these findings and pursuant to the authority of Section 1445 of the Act, 42 U.S.C. § 300j-4, Respondent is required to do the following:

G. Within sixty (60) days of the effective date of this Order, Respondent shall submit to EPA an initial report on the progress made to bring the PWS into compliance with the nitrate MCL. Following the initial report, a quarterly progress report shall be submitted to EPA within ten (10) days after the end of each calendar quarter. Respondent shall notify EPA when all improvements have been completed.

H. Within one hundred and twenty (120) days of the effective date of this Order, Respondent shall submit to EPA a detailed plan to bring the system into compliance with the MCL for nitrate. The plan shall include: 1) a system modification proposal; 2) a cost analysis of system modifications; and 3) a construction schedule for the project. The schedule shall include specific milestone dates and a final compliance date that is no later than eighteen (18) months from the effective date of this Order. The plan must be submitted to EPA for approval before construction can commence.

I. The approved schedule for construction and completion of modifications will be incorporated and re-issued in a future administrative order.

J. The reporting required by this Order must be provided by the Respondent to EPA at the following address:

Mr. Mehdi Taheri  
Water Enforcement Branch (6EN-W)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

K. Regarding Parts A and B in the Order Section, Respondent shall submit a copy of the public notice to TCEQ at the following addresses:

Order Compliance Team  
Enforcement Division, MC 149A  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

and

Public Drinking Water Section  
Water Supply Division, MC 155  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

**GENERAL PROVISIONS**

This Order is effective upon receipt by Respondent.

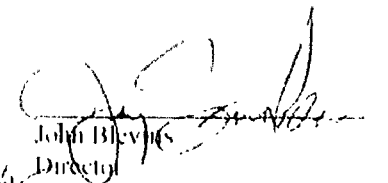
Respondent may seek federal judicial review of the Order pursuant to Chapter 7 of the Administrative Procedure Act, 5 U.S.C. §§ 701-706. Section 706, which is set forth at <http://uscode.house.gov/download/pls/05C7.txt>, states the scope of such review.

This Section 1414(g) Compliance Order and the Section 1445 Information Demand do not constitute a waiver, suspension, or modification of the requirements of 40 C.F.R. Part 141 or other applicable federal and state requirements, which remain in full force and effect. Issuance of this Section 1414(g) Compliance Order and Section 1445 Information Demand is not an election by EPA to forego any civil or any criminal action otherwise authorized under the Act.

Violation of any term of this Section 1414(g) Compliance Order and the Section 1445 Information Demand or the Act may subject Respondent to an administrative civil penalty of up to \$32,500 under Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), or a civil penalty of not more than \$37,500 per day per violation, assessed by an appropriate United States District Court under Section 1414(g)(3)(A) of the Act, 42 U.S.C. § 300g-3(g)(3)(A).

This Order shall be binding on the PWS cited herein and all its successors and assignees. No change in ownership of the PWS shall alter the responsibility of the PWS under this Order.

Date

  
John Blevins  
Director  
Compliance Assurance and  
Enforcement Division

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**U.S. ENVIRONMENTAL PROTECTION AGENCY - REGION 6**  
**FINDINGS OF VIOLATION, COMPLIANCE ORDER, AND**  
**INFORMATION DEMAND**

In the Matter of: RRA Hinds Wildcat Water System  
Owned/Operated by Red River Authority of Texas, Respondent  
Docket No. SDWA-06-2013-1236, PWS ID # TX2440005

**STATUTORY AUTHORITY**

The following findings are made and Order issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA"), by Sections 1414(g) and 1445 of the Safe Drinking Water Act ("the Act"), 42 U.S.C. §§ 300g-3(g) and 300j-4. The Administrator delegated the authority to issue this Order to the Regional Administrator of EPA Region 6 who further delegated such authority to the Director of the Compliance Assurance and Enforcement Division.

**FINDINGS**

1. The Red River Authority of Texas ("Respondent") is a "person," as defined by Section 1401(12) of the Act, 42 U.S.C. § 300f(12).

2. At all times relevant to the violations alleged herein ("relevant time period"), Respondent owned or operated the RRA Hinds Wildcat Water System, a public water system ("PWS"), as defined by Section 1401(4) of the Act, 42 U.S.C. § 300f(4), located in Wichita Falls, Wilbarger County, Texas ("facility"), designated as PWS number TX2440005.

3. As a PWS and a "supplier of water," Respondent is subject to the regulations promulgated by EPA pursuant to Section 1412 of the Act, 42 U.S.C. § 300g-1, entitled National Primary Drinking Water Regulations ("NPDWR").

4. During the relevant time period, Respondent's PWS served as a "community water system" as defined by Section 1401(15) of the Act, 42 U.S.C. § 300f(15).

5. The Texas Commission on Environmental Quality ("TCEQ") and the EPA have enforcement authority for the PWS provisions of the Act in the State of Texas. TCEQ and EPA have consulted regarding this Order, and it has been agreed that EPA would initiate this enforcement action.

6. During the relevant time period, Respondent's PWS was subject to NPDWR requirements for the nitrate maximum contaminant level ("MCL") as set forth in 40 C.F.R. § 141.62(b). Respondent monitored for nitrate in the last four quarters from the 4<sup>th</sup> quarter of 2011 through the 3<sup>rd</sup> quarter of 2012, and reported values of 16 mg/L, 15.6 mg/L, 15.9 mg/L, and 15.2 mg/L that exceeded the nitrate MCL of 10 mg/L in violation of 40 C.F.R. § 141.62(b)(7).

7. Respondent is required to comply with the nitrate requirements of the Act, as set forth in Section 1412 of the Act, 42 U.S.C. § 300g-1.

**SECTION 1414(g) COMPLIANCE ORDER**

Based on these findings and pursuant to the authority of Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), EPA orders Respondent to take the following actions:

A. Respondent shall comply with 40 C.F.R. § 141.31(b) and notify both TCEQ and EPA within forty-eight (48) hours in the event of nitrate MCL violations.

B. If Respondent has not provided public notice, as required by 40 C.F.R. § 141.201, regarding the violations specified in paragraph 6, the Respondent shall, within thirty (30) days of issuance of this Order, provide a public notice of the violations as set forth in 40 C.F.R. § 141.201. In the public notice, Respondent shall specify that pregnant women and children under six (6) months of age should not drink the water until notified by the PWS. Respondent shall submit a copy of the public notice to EPA and TCEQ within forty (40) days of the effective date of this Order.

C. Within fifteen (15) calendar days of the effective date of this Order, Respondent shall contact Mr. Mehdi Taheri, in writing, informing him whether Respondent will comply with the terms of this Order.

D. Respondent shall immediately comply with 40 C.F.R. § 141.62(b)(7) regarding the nitrate MCL. If immediate compliance is not technically feasible, then the respondent must comply with E through K below.

E. Respondent shall achieve and maintain compliance with the MCL for nitrate set forth at 40 C.F.R. § 141.62(b)(7) no later than eighteen (18) months after the effective date of this Order.

F. After the effective date of this Order, in the event that sampling results indicate Respondent is exceeding the MCL for nitrate, as specified in 40 C.F.R. § 141.62(b)(7), Respondent shall make available, within forty-eight (48) hours of the nitrate MCL violation, an alternative source of water to pregnant women and children under the age of 6 months. Respondent shall continue to make available an alternative source of water for this population until sample results indicate that the nitrate

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

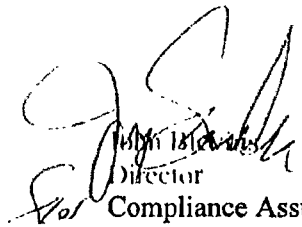
Re: Administrative Order  
Red River Authority of Texas

2

The PWS is also required to comply with all applicable Texas regulations in Title 30 Texas Administrative Code (TAC) Chapter 290, Subchapter D. Most treatment options require the submittal of engineering plans and specifications to the Texas Commission on Environmental Quality (TCEQ) for review and approval as indicated in 30 TAC § 290.39(j). The engineering plans and specifications and any pilot study report must be prepared by a Texas licensed professional engineer as required in 30 TAC §§ 290.39(d)(1) and 290.42(g), respectively. Please send engineering submittals to the TCEQ's Public Drinking Water Section address referenced in paragraph K of the Order and include the EPA Docket Number.

If you need assistance, or have questions regarding the Order, please contact Mr. Mehdi Taheri, of my staff, at (214) 665-2298.

Sincerely,



Director  
Compliance Assurance and  
Enforcement Division

Enclosure

cc: Mr. Bryan Sinclair, Director  
Enforcement Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Linda Brookins, Director  
Water Supply Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

**REGION 6**

**1445 ROSS AVENUE, SUITE 1200  
DALLAS, TEXAS 75202-2733**

RECEIVED

JAN 21 2015

JAN 13 2015

CERTIFIED MAIL-RETURN RECEIPT REQUEST: 7005 1820 0003 7451 4667 BY

Mr. Curtis Campbell  
Red River Authority of Texas  
P.O. Box 240  
Wichita Falls, TX 76307-0240

Re: PWS ID Number TX1350001, Docket Number: SDWA-06-2012-1253  
PWS ID Number TX1380006, Docket Number: SDWA-06-2013-1235  
PWS ID Number TX2440005, Docket Number: SDWA-06-2013-1236

Dear Mr. Campbell:

This is to acknowledge receipt of your responses, dated February 18 and July 25, 2014, to the Administrative Orders (AOs) referenced above. Your responses indicate that the majority of the public water systems (PWSs) throughout Northwest Texas are dealing with problems caused by the current drought. Despite the drought problems, you are still required under the Safe Drinking Water Act (SDWA) to provide safe and clean drinking water to your consumers.

EPA has had positive experiences with other PWSs plagued by the drought. Most of the PWSs have cooperated with EPA and submitted plans to bring their systems into compliance with the SDWA. Lockett and Box Community water systems have returned to compliance and EPA has closed the AOs for both of these PWSs. Estelline Turkey water system has also returned to compliance and EPA is in the process of closing the AO issued to them.

Regarding the three water systems referenced above (Guthrie Dumont, Truscott Gilliard and Hinds Wildcat) and the options presented in the Preliminary Engineering Reports for Point of Use (POU) and Point of Entry (POE) treatments, you indicate that POU and POE proposals are not being considered due to inherent liability issues, cost, and maintenance of equipment owned by Red River Authority (RRA) and installed inside your customer residences. You also state in your letter that the Texas Commission on Environmental Quality (TCEQ) recommended that RRA of Texas stay away from these proposals. However, during a meeting with TCEQ officials in Waco, Texas, Mr. Jerry Saunders, Associate Director of the Water Enforcement Branch, discussed this matter with Ms. Linda Brookins, Director of the Water Supply Division. Ms. Brookins stated that she had a discussion with you about these treatment options, and it is my understanding that TCEQ will review any POU or POE treatment proposals that RRA of Texas submits.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Re: Warning Letter to Red River Authority

Page 2

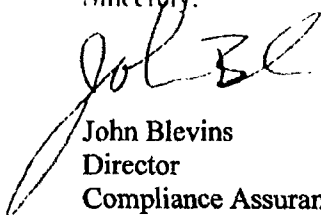
Your letter requests that EPA allow RRA of Texas to continue providing bottled water to the customers on its systems until such time as an economically and technically feasible alternative can be found. Providing bottled water to your consumers may be used on a temporary basis, but it is not a permanent solution to the Maximum Contaminant Level (MCL) violations. Section 141.101 of the SDWA stipulates that "Public water systems [PWSs] shall not use bottled water to achieve compliance with an MCL. Bottled water may be used on a temporary basis to avoid unreasonable risk to health." Section 141.101 clearly indicates that bottled water does not satisfy all SDWA rules and regulations.

Your quarterly progress reports for the 3<sup>rd</sup> quarter of 2014 mention that RRA of Texas has made positive operational changes to some systems in an effort to maintain compliance with the nitrate rule and to purchase water from other sources. EPA understands that modifications to small systems can create an economic burden; however, providing safe drinking water to customers is a mandate under the SDWA. PWSs must comply with state and federal water quality standards and serve clean and safe water to their consumers.

EPA remains concerned with the ongoing nitrate MCL violations and the potential negative health effects to the customers who consume the water. Therefore, EPA requires that you submit a detailed compliance plan for each of these four water systems within thirty (30) days of receipt of this letter.

Violation of a Federal Order may subject you to an administrative civil penalty of up to \$32,500 or a civil penalty of not more than \$37,500 per day per violation, assessed by an appropriate United States District Court. Upon receipt of this letter, please respond by contacting Mr. Mehdi Taheri, of my staff, at (214)665-2298 or via email at [taheri.mehdi@epa.gov](mailto:taheri.mehdi@epa.gov). Thank you for your prompt attention to this matter.

Sincerely,



John Blevins  
Director  
Compliance Assurance and  
Enforcement Division

cc: Mr. Bryan Sinclair  
Director, Enforcement Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Linda Brookins  
Director, Water Supply Division  
Texas Commission on Environmental Quality  
P.O. Box 13087 Austin, TX 78711-3087

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

**REGION 6  
1445 ROSS AVENUE, SUITE 1200  
DALLAS, TEXAS 75202-2733**

**APR 25 2016**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED: 7005 1820 0003 7449 7809**

**Mr. Curtis Campbell  
General Manager  
Red River Authority of Texas  
P.O. Box 240  
Wichita Falls, TX 76307-0240**

**RECEIVED**

**BY:**

**Re: Notice of Proposed Assessment of Safe Drinking Water Act Civil Penalty  
RRA Hinds Wildcat Water System-Docket Number SDWA-06-2016-1202  
RRA Guthrie-Dumont Water System-Docket Number SDWA-06-2016-1206  
RRA Truscott Gilliland Water System-Docket Number SDWA-06-2016-1207**

**Dear Mr. Campbell:**

Enclosed are three Administrative Complaints (Complaints) issued to Red River Authority (RRA) of Texas for violation of Section 1414g of the Safe Drinking Water Act (SDWA), 42 U.S.C. § 300f et seq., and its implementing regulations, 40 C.F.R. Part 141. The Complaints are issued in regard to the RRA Hinds Wildcat Water System, which proposes a penalty of \$17,000.00; the RRA Guthrie-Dumont Water System, which proposes a penalty of \$21,000.00; and the RRA Truscott Gilliland Water System, which proposes a penalty of \$17,000.00. The violations alleged in each of the three Complaints pertain to exceedance of the maximum contaminant level for nitrate and failure to comply with the applicable Administrative Orders issued by the Environmental Protection Agency, Region 6 (EPA) to RRA of Texas regarding each of said public water systems (PWSs).

Since 2011, the RRA of Texas facilities have failed to comply with the nitrate Maximum Contaminant Level (MCL) as required by the SDWA. In 2012 and 2013, EPA issued administrative orders requiring the RRA PWSs to return to compliance. Despite repeated efforts by EPA to get RRA of Texas to implement corrective measures, RRA of Texas has failed to implement such measures. The RRA of Texas PWSs are still not in compliance with the nitrate MCL. As a result, EPA has issued these Complaints.

Regarding each of the Complaints, RRA of Texas, as the owner or operator of the PWSs, has the right to request a hearing regarding the violations alleged in each Complaint and the proposed administrative civil penalties. Please refer to the enclosed Part 22, "Consolidated Rules of Practice," for information regarding hearing and settlement procedures. Note that should you fail to request a hearing within thirty days of your receipt of these Complaints, you will waive your right to such a hearing, and the proposed civil penalty specified in each Complaint may be assessed against RRA of Texas without further proceedings.

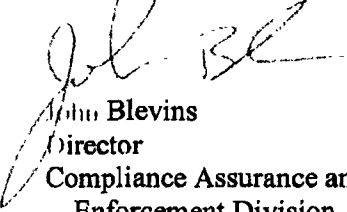
**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Re: Red River Authority of Texas-Hinds Wildcat  
Administrative Penalty Order 2

Whether or not you request a hearing, we invite you to confer informally with EPA. RRA of Texas may represent itself or be represented by an attorney at any conference, whether in person or by telephone. EPA encourages all parties against whom it files a Complaint proposing assessment of a penalty to pursue the possibility of settlement as a result of an informal conference.

EPA is committed to ensuring compliance with the requirements of the National Primary Drinking Water regulations program and my staff will assist you in any way possible. If you have any questions, or wish to discuss the possibility of a settlement of this matter, please contact Mr. Mehdi Taheri, of my staff, at (214) 665-2298.

Sincerely,



John Blevins  
Director  
Compliance Assurance and  
Enforcement Division

Enclosure

cc: w/Complaint      Regional Hearing Clerk

Mr. Bryan Sinclair  
Director, Enforcement Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Linda Brookins  
Director, Water Supply Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

UNITED STATES  
ENVIRONMENTAL PROTECTION AGENCY  
REGION 6

In the Matter of

Red River Authority of Texas,

Respondent

PWS ID Number: TX2440005  
Hinds Wildcat Water System

§ Docket No. SDWA-06-2016-1202

§

§

§ Proceeding to Assess a Civil Penalty  
§ under Section 303g-3(g)(3) of the  
§ Safe Drinking Water Act

§

§

§ ADMINISTRATIVE COMPLAINT

§

**I. Statutory Authority**

This Administrative Complaint ("Complaint") is issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA") by Section 1414(g)(3) of the Safe Drinking Water Act ("Act"), 42 U.S.C. § 300g-3(g)(3). The Administrator of EPA delegated the authority to issue this Complaint to the Regional Administrator of EPA Region 6, who delegated this authority to the Director of the Compliance Assurance and Enforcement Division of EPA Region 6 ("Complainant"). This Complaint is issued in accordance with, and this action will be conducted under, the "Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits," 40 C.F.R. Part 22.

Based on the following Findings, Complainant finds that Respondent violated the Act and the regulations promulgated under the Act and should be ordered to pay a civil penalty.

**II. Findings of Fact and Conclusions of Law**

1. Red River Authority of Texas ("Respondent") is a "person," as defined by Section 1401(12) of the Act, 42 U.S.C. § 300f(12).

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 2

2. According to Section 1401(4) of the Act, 42 U.S.C. § 300f(4), a public water system (“PWS”) provides water to the public for human consumption, if such system has at least fifteen (15) service connections or regularly serves at least twenty-five (25) individuals daily at least sixty (60) days out of the year.

3. According to Section 1401(15) of the Act, 42 U.S.C. § 300f(15), a “community water system” means a PWS that serves at least fifteen (15) service connections used by year-round residents served by the system or that regularly serves at least twenty-five (25) year-round residents.

4. According to Section 1401(5) of the Act, 42 U.S.C. § 300f(5), a “supplier of water” is a person who owns or operates a PWS.

5. At all times relevant to the violations alleged herein, Respondent owned or operated the RRA Hinds Wildcat water system, a PWS as defined by Section 1401(4) of the Act, 42 U.S.C. § 300f(4), located in Wichita Falls, Wilbarger County, Texas (“facility”), and designated as PWS number TX2440005.

6. The facility serves over 25 residents year-round and is therefore a community water system.

7. As an owner or operator of a PWS, Respondent is a supplier of water pursuant to Section 1401(5) of the Act, 42 U.S.C. § 300f(5).

8. Respondent, as a supplier of water, and the facility, as a community PWS, are subject to the regulations promulgated by EPA pursuant to Section 1412 of the Act, 42 U.S.C. § 300g-1, entitled National Primary Drinking Water Regulations (“NPDWR”).

9. Pursuant to Section 1413(a) of the Act, 42 U.S.C. § 300g-2(a), the State of Texas, acting through the Texas Commission on Environmental Quality (“TCEQ”), has primary enforcement

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 3

responsibility, to ensure that suppliers of water within the State comply with the requirements of the Act.

10. TCEQ and the EPA have enforcement authority for the PWS provisions of the Act in the State of Texas. TCEQ and EPA have consulted regarding this Order, and it has been agreed that EPA would initiate this enforcement action.

11. At all times relevant to the violations alleged herein, Respondent's facility was subject to the maximum contaminant level requirements for nitrate as described by 40 C.F.R.

§ 141.62(b)(7).

12. During the relevant time period, Respondent's facility was required to conduct monitoring to determine compliance regarding nitrate levels. Respondent is required to comply with a Maximum Contaminant Level ("MCL") of 10.0 mg/L for nitrate as specified in 40 C.F.R.

§ 141.62(b)(7).

13. Respondent monitored for nitrate in the last four quarters from the 4<sup>th</sup> quarter of 2011 through the 3<sup>rd</sup> quarter of 2012, and reported values of 16 mg/L, 15.6 mg/L, 15.9 mg/L, and 15.2 mg/L for nitrate in violations of the MCL specified in 40 C.F.R. § 141.62(b)(7).

14. On March 8, 2013, EPA issued Administrative Order Docket No. SDWA-06-2013-1236 ("Order") (Attached and incorporated herein as Attachment A) to Respondent, pursuant to EPA's authority under Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), citing MCL violations, and ordered, among other requirements, the following:

"A. Respondent shall comply with 40 C.F.R. § 141.31(b) and notify both TCEQ and EPA within forty-eight (48) hours in the event of nitrate MCL violations."

"D. Respondent shall immediately comply with 40 C.F.R. § 141.62(b)(7) regarding the nitrate MCL. If immediate compliance is not technically feasible, then the Respondent must comply with E through K below."

"E. Respondent must achieve and maintain compliance with 40 C.F.R. § 141.62(b)(7) by the date specified in the approved plan, or not later than eighteen (18) months after the effective date of this Order, whichever is earliest."

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 4

“G. Within sixty (60) days of this Order, Respondent shall submit to EPA an initial report on the progress made to bring the PWS into compliance with the nitrate MCL. Following the initial report, a quarterly progress report shall be submitted to EPA within ten (10) days after the end of each calendar quarter.”

“H. Within one hundred and twenty (120) days of the effective date of this Order, Respondent shall submit to EPA a detailed plan to bring the System into compliance with the MCL for nitrate. The plan shall include: 1) a system modification proposal; 2) a cost analysis of system modifications; and 3) a construction schedule for the project. The schedule shall include specific milestone dates and a final compliance date that is no later than eighteen (18) months from the effective date of this Order. The plan must be submitted to EPA for concurrence before construction can commence.”

15. The issuance date of the Order was March 8, 2013, and the effective date of the Order was March 13, 2013.

16. Respondent failed to comply with each Order requirement specified in paragraph 14 above, and is therefore liable for a civil penalty pursuant to Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g).

17. Respondent violated Paragraph A of the Order, which specified as follows:  
“A. Respondent shall comply with 40 C.F.R. § 141.31(b) and notify both TCEQ and EPA within forty-eight (48) hours in the event of nitrate MCL violations.”

A. Respondent violated Paragraph A of the Order by failing to notify EPA within forty-eight (48) hours in the event of nitrate MCL violations. After the effective date of the Order on March 13, 2013, there were nitrate MCL violations during each calendar quarter from the 1<sup>st</sup> quarter of 2013 through the 4<sup>th</sup> quarter of 2015. Respondent failed to notify EPA within 48 hours regarding each of these nitrate MCL violations. Respondent did not provide any notification of each these nitrate MCL violations to EPA.

18. Respondent violated Paragraph D of the Order, which specified as follows:  
Respondent shall immediately comply with 40 C.F.R. § 141.62(b)(7) regarding the nitrate MCL. If immediate compliance is not technically feasible, then the respondent must comply with “E through K...” Since the effective date of the Order to the date of this Complaint, Respondent



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 5

has not implemented any corrective measures at its facility to achieve compliance with the nitrate MCL and has committed nitrate MCL violations each calendar quarter from the 2<sup>nd</sup> quarter of 2012 through the 4<sup>th</sup> quarter of 2015.

19. Respondent violated Paragraph E of the Order, which specified as follows: "E. Respondent must achieve and maintain compliance with 40 C.F.R. § 141.62(b)(7) by the date specified in the approved plan, or not later than eighteen (18) months after the effective date of this Order, whichever is earliest."

A. Respondent violated Paragraph E of the Order by failing to achieve and maintain compliance with 40 C.F.R. § 141.62(b)(7) by eighteen (18) months after the effective date of the Order. After 18 months of the Order, which was September 12, 2014, Respondent committed nitrate MCL violations on each of the calendar quarters from the 3<sup>rd</sup> quarter of 2014 through the 4<sup>th</sup> quarter of 2015. Each of these nitrate MCL violations was a violation of the Order. Furthermore, since Respondent did not submit nor implement any corrective action plan to EPA as required by the Order, each quarterly nitrate MCL violation by Respondent since the effective date of the Order is a violation of the Order. Respondent has committed nitrate MCL violations each calendar quarter from the 2<sup>nd</sup> quarter of 2012 through the 4<sup>th</sup> quarter of 2015.

20. Respondent violated Paragraph G of the Order, which is specified as follows: "G. Within sixty (60) days of this Order, Respondent shall submit to EPA an initial report on the progress made to bring the PWS into compliance with the nitrate MCL. Following the initial report, a quarterly progress report shall be submitted to EPA within ten (10) days after the end of each calendar quarter."

A. Respondent violated Paragraph G by failing to submit quarterly progress reports to EPA for the 1<sup>st</sup> quarter of 2014, the 4<sup>th</sup> quarter of 2014, the 1<sup>st</sup> quarter of 2015, the 2<sup>nd</sup> quarter of 2015, and the 3<sup>rd</sup> quarter of 2015.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 6

21. Respondent violated Paragraph H of the Order, which specified as follows:

“H. Within one hundred and twenty (120) days of the effective date of this Order, Respondent shall submit to EPA a detailed plan to bring the System into compliance with the MCL for nitrate. The plan shall include: 1) a system modification proposal; 2) a cost analysis of system modifications; and 3) a construction schedule for the project. The schedule shall include specific milestone dates and a final compliance date that is no later than eighteen (18) months from the effective date of this Order.”

A. Respondent violated Paragraph H of the Order by failing to submit a plan to bring the facility to compliance with the nitrate MCL. As of the date of this Complaint, Respondent has not submitted a plan to EPA for review and approval that specifies the corrective measures that Respondent shall implement along with a schedule for implementation of the corrective measures.

22. The Order cited Respondent’s failure to comply with the nitrate MCL on each of the four quarters from the fourth quarter of 2011 to the third quarter of 2012. Since the fourth quarter of 2012, Respondent has violated the nitrate MCL each calendar quarter since the cited nitrate MCL violations specified in the Order. Respondent has violated the nitrate MCL on the 4<sup>th</sup> quarter of 2012, the 1<sup>st</sup> quarter of 2013, the 2<sup>nd</sup> quarter of 2013, the 3<sup>rd</sup> quarter of 2013, the 4<sup>th</sup> quarter of 2013, the 1<sup>st</sup> quarter of 2014, the 2<sup>nd</sup> quarter of 2014, the 3<sup>rd</sup> quarter of 2014, the 4<sup>th</sup> quarter of 2014, the 1<sup>st</sup> quarter 2015, the 2<sup>nd</sup> quarter 2015, the 3<sup>rd</sup> quarter 2015, and the 4<sup>th</sup> quarter 2015.

23. Pursuant to Section 1414(g) of the Act, 42 U.S.C. § 300f *et seq.*, Respondent is liable for an administrative civil penalty in an amount not to exceed \$37,500.00 for violation of the Order.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 7

**III. Proposed Penalty**

24. Based on these Findings and Conclusions, having taken into account the serious nature of the violations, the population at risk, and other appropriate factors including with respect to the violator, ability to pay, the past history of such violations, degree of culpability, and other matters as justice may require, and pursuant to the authority of Section 1414(g)(3)(B) of the Act, 42 U.S.C. § 300g-3(g)(3)(B), EPA proposes to assess against Respondent a penalty of Seventeen Thousand Dollars (\$17,000.00).

25. Complainant has specified that the administrative procedures specified in 40 C.F.R. Part 22 shall apply to this matter.

**IV. Failure to File an Answer**

26. If Respondent wishes to deny or explain any material allegation listed in the above Findings or to contest the amount of the penalty proposed, Respondent must file an Answer to this Complaint within thirty (30) days after service of this Complaint whether or not Respondent requests a hearing as discussed below.

27. The requirements for such an Answer are set forth at 40 C.F.R. § 22.15 (copy enclosed). Failure to file an Answer to this Complaint within thirty (30) days of service of the Complaint shall constitute an admission of all facts alleged in the Complaint and a waiver of the right to hearing. Failure to deny or contest any individual material allegation contained in the Complaint will constitute an admission as to that finding or conclusion under 40 C.F.R. § 22.15(d).

28. If Respondent does not file an Answer to this Complaint within thirty (30) days after service, a Default Order may be issued against Respondent pursuant to 40 C.F.R. § 22.17. A Default Order, if issued, would constitute a finding of liability, and could make the full amount of the penalty proposed in this Complaint due and payable by Respondent without further proceedings thirty (30) days after a final Default Order is issued.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 8

29. Respondent must send its Answer to this Complaint, including any request for a Hearing, and all other pleadings to:

Regional Hearing Clerk (6RC-D)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

30. Respondent shall also send a copy of its Answer to this Complaint to the following EPA attorney assigned to this case:

Mr. Efren Ordoñez (6RC-EW)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

31. The Answer must be signed by Respondent, Respondent's counsel, or other representative on behalf of Respondent and must contain all information required by 40 C.F.R. §§ 22.05 and 22.15, including the name, address, and telephone number of Respondent and Respondent's counsel. All other pleadings must be similarly signed and filed.

V. Notice of Opportunity to Request a Hearing

32. Respondent may request a hearing to contest any material allegation contained in this Complaint, or to contest the appropriateness of the amount of the proposed penalty, pursuant to Section 1414(g)(3)(B) of the Act, 42 U.S.C. § 300g-3(g)(3)(B). The procedures for hearings are set out at 40 C.F.R. Part 22.

33. Any request for hearing should be included in Respondent's Answer to this Complaint; however, as discussed above, Respondent must file an Answer meeting the requirements of 40 C.F.R. § 22.15 in order to preserve the right to a hearing or to pursue other relief.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

Page 9

**VI. Settlement**

34. EPA encourages all parties against whom civil penalties are proposed to pursue the possibility of settlement through informal meetings with EPA. Regardless of whether a formal hearing is requested, Respondent may confer informally with EPA about the alleged violations or the amount of the proposed penalty. Respondent may wish to appear at any informal conference or formal hearing personally, by counsel or other representative, or both. To request an informal conference on the matters described in this Complaint, please contact Mr. Mehdi Taheri, of my staff, at (214) 665-2298.

35. If this action is settled without a formal hearing and issuance of an opinion by the Presiding Officer pursuant to 40 C.F.R. § 22.27, this action will be concluded by issuance of a Consent Agreement and Final Order ("CAFO") pursuant to 40 C.F.R. § 22.18(b). The issuance of a CAFO would waive Respondent's right to a hearing on any matter stipulated therein or alleged in the Complaint. Any person who commented on this Complaint would be notified and given an additional thirty (30) days to petition EPA to set aside any such CAFO and to hold a hearing on the issues raised in the Complaint. Such a petition would be granted and a hearing held only if the evidence presented by the petitioner's comment was material and was not considered by EPA in the issuance of the CAFO.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

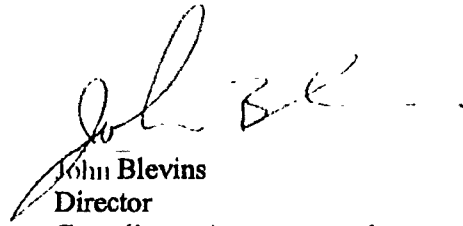
Docket No. SDWA-06-2016-1202

Page 10

36. Neither assessment nor payment of a penalty in resolution of this action will affect Respondent's continuing obligation to comply with all requirements of the Act, the applicable regulations and permits, and any separate Compliance Order issued under Section 1414(g)(3)(B) of the Act, 42 U.S.C. § 300g-3(g)(3)(B).

Date

4.27.16

  
John Blevins  
Director  
Compliance Assurance and  
Enforcement Division

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1202

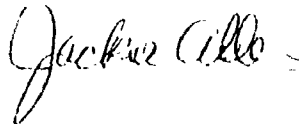
Page 11

**CERTIFICATE OF SERVICE**

I certify that the foregoing Class I Administrative Complaint was sent to the following persons, in the manner specified, on the date below:

Original hand-delivered:	Regional Hearing Clerk (6RC-D) U.S. EPA, Region 6 1445 Ross Avenue, Suite 1200 Dallas, TX 75202-2733
Copy by certified mail:	Mr. Bryan Sinclair Director, Enforcement Division Texas Commission on Environmental Quality P.O. Box 13087 Austin, TX 78711-3087
Copy by certified mail:	Ms. Linda Brookins Director, Water Supply Division Texas Commission on Environmental Quality P.O. Box 13087 Austin, TX 78711-3087
Copy hand-delivered:	Mr. Efren Ordoñez (6RC-EW) U.S. EPA, Region 6 1445 Ross Avenue, Suite 1200 Dallas, TX 75202-2733

Dated: 27 APR 2016



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 6  
1445 ROSS AVENUE, SUITE 1200  
DALLAS, TEXAS 75202-2733**

**OCT 14 2016**

CERTIFIED MAIL-RETURN RECEIPT REQUESTED: 7005 1820 0003 7450 4484

Mr. Curtis Campbell, General Manager  
Red River Authority of Texas  
P.O. Box 240  
Wichita Falls, TX 76307-0240

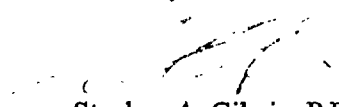
Re: Consent Agreement and Final Orders  
✓Hinds Wildcat, PWS ID Number TX2440005, Docket Number: SDWA-06-2016-1202  
Guthrie-Dumont, PWS ID Number TX1350001, Docket Number: SDWA-06-2016-1206  
Truscott Gilliland, PWS ID Number TX1380006, Docket Number: SDWA-06-2016-1207

Dear Mr. Campbell:

This is to acknowledge receipt of the signed Consent Agreement and Final Orders (CAFOs). The Environmental Protection Agency hereby issues the enclosed CAFOs. The CAFOs are effective from the date of filing with the Regional Hearing Clerk. The penalty payments are due within thirty (30) days after the effective date.

If you have any questions regarding this matter, please contact Mehdi Taheri, of my staff, at (214) 665-2298.

Sincerely,

  
Stephen A. Gilrein, P.E.  
Acting Director  
Compliance Assurance and  
Enforcement Division

Enclosure

RECEIVED



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

RRA of Texas CAFOs

Page 2

cc: Mr. Bryan Sinclair  
Director, Enforcement Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Cari-Michel La Caille  
Director, Water Supply Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Emily W. Rogers  
Bickerstaff Health Delgado Acosta LLP  
3711 S. MoPac Expressway  
Building One, Suite 300  
Austin, TX 78746

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 6

2016 OCT

In the Matter of	§	Docket No. SDWA-06-2016-1202
	§	EPA
Red River Authority of Texas	§	
	§	
Respondent	§	CONSENT AGREEMENT
	§	AND
Hinds Wildcat Water System	§	FINAL ORDER
PWS ID Number: TX2440005	§	
	§	
Proceedings under Section	§	
1414(g)(3) of the Safe Drinking	§	
Water Act, 42 U.S.C. § 300g-3(g)(3)	§	

**I. STATUTORY AUTHORITY**

This Consent Agreement and Final Order ("CAFO") is issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA") pursuant to Section 1414(g)(3), 42 U.S.C. § 300g-3, of the Safe Drinking Water Act ("Act"). This CAFO is issued in accordance with 40 C.F.R. § 22.18, as set forth in the "Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits," 40 C.F.R. Part 22.

**II. CONSENT AGREEMENT**

1. On April 27, 2016, EPA Region 6 issued to Red River Authority of Texas ("Respondent") an Administrative Complaint ("Complaint") pursuant to Section 1414(g)(3) of the Act, which proposed to assess a civil penalty against Respondent, and gave notice of Respondent's Opportunity to request a hearing on the proposed administrative penalty assessment.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202

Page 2 of 11

2. Respondent and EPA (collectively, "Parties") agree that settlement of the relevant matters without litigation will save time and resources, that it is in the public's interest, and that the entry of this CAFO is the most appropriate means of resolving such matters. Compliance with all the terms and conditions of this CAFO resolves only those violations alleged in the Complaint.

3. Respondent expressly waives any right to contest the factual allegations or conclusions of law contained in the Complaint and this CAFO and waives its right to appeal the Final Order set forth herein.

4. Before the taking of any testimony, and without adjudication of any issue of law or fact, the Parties agree to the terms of this CAFO and to its issuance. Respondent consents to the assessment and payment of a civil penalty in the amount and by the method stated below.

**III. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

5. During the relevant time period to the violations alleged in the Complaint and herein, Respondent, Red River Authority of Texas, is a "person," as defined by Section 1401(12) of the Act, 42 U.S.C. § 300f(12).

6. During the relevant time period, Respondent owned or operated a public water system ("PWS") also referred to as the ("facility"), as defined by Section 1401(4) of the Act, 42 U.S.C. § 300f(4). The PWS is located in Wilbarger County, Texas, and designated as PWS number TX2440005.

7. During the relevant time period, Respondent's PWS was a "community water system" as defined by Section 1401(15) of the Act, 42 U.S.C. § 300f(15).

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202

Page 3 of 11

8. According to Section 1401(4) of the Act, 42 U.S.C. § 300f (4), a PWS provides water to the public for human consumption, if such system has at least fifteen (15) service connections or regularly serves at least twenty-five (25) individuals daily at least sixty (60) days out of the year.

9. According to Section 1401(15) of the Act, 42 U.S.C. § 300f (15), a “community water system” means a PWS that serves at least fifteen (15) service connections used by year-round residents served by the system or that regularly serves at least twenty-five (25) year-round residents.

10. The facility serves over 25 residents year-round and is therefore a community water system.

11. As an owner or operator of a PWS, Respondent is a supplier of water pursuant to Section 1401(5) of the Act, 42 U.S.C. § 300f(5).

12. Respondent, as a supplier of water, and the facility, as a community PWS, are subject to the regulations promulgated by EPA pursuant to Section 1412 of the Act, 42 U.S.C. § 300g-1, entitled National Primary Drinking Water Regulations (“NPDWR”).

13. At all times relevant to the violations alleged herein, Respondent’s facility was subject to the maximum contaminant level requirements for nitrate as described by 40 C.F.R. § 141.62(b)(7).

14. During the relevant time period, Respondent’s facility was required to conduct monitoring to determine compliance regarding nitrate levels. Respondent is required to comply with a Maximum Contaminant Level (“MCL”) of 10.0 mg/L for nitrate as specified in 40 C.F.R. § 141.62(b)(7).

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202  
Page 4 of 11

15. Respondent monitored for nitrate in the last four quarters from the 4th quarter of 2011 through the 3rd quarter of 2012, and reported values of 16 mg/L, 15.6 mg/L, 15.9 mg/L, and 15.2 mg/L for nitrate in violation of the MCL specified in 40 C.F.R. § 141.62(b)(7).

16. On March 8, 2013, EPA issued Administrative Order Docket No. SDWA-06-2013-1236 ("Order") (Attached and incorporated herein as Attachment A) to Respondent, pursuant to EPA's authority under Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), citing MCL violations in, and ordered, among other requirements, the following:

"A. Respondent shall comply with 40 C.F.R. § 141.31(b) and notify both TCEQ and EPA within forty-eight (48) hours in the event of nitrate MCL violations."

"D. Respondent shall immediately comply with 40 C.F.R. § 141.62(b)(7) regarding the nitrate MCL. If immediate compliance is not technically feasible, then the Respondent must comply with E through K below."

"E. Respondent must achieve and maintain compliance with 40 C.F.R. § 141.62(b)(7) by the date specified in the approved plan, or not later than eighteen (18) months after the effective date of this Order, whichever is earliest."

"G. Within sixty (60) days of this Order, Respondent shall submit to EPA an initial report on the progress made to bring the PWS into compliance with the nitrate MCL. Following the initial report, a quarterly progress report shall be submitted to EPA within ten (10) days after the end of each calendar quarter."

"H. Within one hundred and twenty (120) days of the effective date of this Order, Respondent shall submit to EPA a detailed plan to bring the System into compliance with the MCL for nitrate. The plan shall include: 1) a system modification proposal; 2) a cost analysis of system modifications; and 3) a construction schedule for the project. The schedule shall include specific milestone dates and a final compliance date that is no later than eighteen (18) months from the effective date of this Order. The plan must be submitted to EPA for concurrence before construction can commence."

17. The effective date of the Order was March 13, 2013.

18. The Complaint specified Findings of Fact and Conclusions of Law that are hereby incorporated by reference and alleged, among other things, that at the relevant times: Respondent exceeded the nitrate MCL on numerous occasions; Respondent failed to comply with the Order by failing to notify EPA and TCEQ in the event of nitrate MCL violations, by

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202

Page 5 of 11

failing to immediately comply with the nitrate MCL, by failing to achieve and maintain compliance with nitrate MCL within eighteen months after the effective date of the Order, by failing to submit certain quarterly progress reports, and by failing to submit a detailed plan to bring the facility into compliance with the nitrate MCL; Respondent therefore violated the Order and is liable for a civil penalty pursuant to Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g).

**IV. PENALTY ORDER**

19. Based on the foregoing stipulations, EPA, Region 6, having taken into account the factors used for assessment of civil penalties found in Section 1414(b)(2)(c) of the Act, 42 U.S.C. § 300g-3(b)(2), hereby orders, and Respondent agrees, that Respondent shall pay to the United States a civil penalty in the amount of fifteen thousand dollars (\$15,000.00) to settle the violations alleged in the Complaint.

20. Payment shall be made by one of the following methods within thirty (30) days after the effective date of this CAFO:

- a. By mailing a bank check, cashier's check or certified check, payable to "Treasurer of the United States," to the following address:

U.S. Environmental Protection Agency  
Fines and Penalties  
Cincinnati Finance Center  
P.O. Box 979077  
St. Louis, MO 63197-9000

- b. By wire transfer to:

Federal Reserve Bank of New York  
ABA: 021030004  
Account Number: 68010727  
SWIFT address: FRNYUS33  
33 Liberty Street  
New York, NY 10045  
Field Tag 4200 of the Fedwire message should read:  
"D 68010727 Environmental Protection Agency"

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202

Page 6 of 11

c. By overnight mail (Express, FedEx, DHL, etc.):

U.S. Bank  
Government Lockbox 979077  
U.S. EPA Fines & Penalties  
1005 Convention Plaza  
SL-MO-C2-GL  
St. Louis, MO 63101  
Phone: 314-418-1028

d. By credit card payments to <https://www.dba.gov>  
(Enter sf01.1 in the search field)

“In Red River Authority of Texas, Docket No. SDWA-06-2016-1202” should be clearly marked on each check to ensure credit for payment.

21. Respondent shall send simultaneous notices of the payment, including a copy of the check, or other remittance, to each of the following:

- (a) Regional Hearing Clerk (6RC-D)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733
- (b) Chief, Water Resources Section (6EN-WR)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733
- (c) Chief, Water Legal Branch (6RC-EW)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

Respondent's adherence to these procedures will ensure proper credit when payment is received by EPA.

22. Respondent agrees not to claim or attempt to claim a federal income tax deduction or credit covering all or any part of the civil penalty paid to the United States Treasurer.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202

Page 7 of 11

23. Pursuant to 31 U.S.C. § 3717 and 40 C.F.R. § 13.11, unless otherwise prohibited by law, EPA will assess interest and late payment penalties on outstanding debts owed to the United States that are not paid by the due date and a charge to cover the cost of processing and handling a delinquent claim. Interest on the civil penalty assessed in this CAFO will begin to accrue thirty (30) days after the effective date of the CAFO and will be recovered by EPA on any amount of the civil penalty that is not paid by the respective due date. Interest will be assessed at the rate of the United States Treasury tax and loan rate in accordance with 40 C.F.R. § 13.11(a). Moreover, the costs of the Agency's administrative handling of overdue debts will be charged and assessed monthly throughout the period the debt is overdue. See 40 C.F.R. § 13.11(b).

24. EPA will also assess a fifteen dollar (\$15.00) administrative handling charge for administrative costs on unpaid penalties for the first thirty (30)-day period after the payment is due and an additional fifteen dollars (\$15.00) for each subsequent thirty (30)-day period that the penalty remains unpaid. In addition, a penalty charge of up to six percent (6%) per year will be assessed monthly on any portion of the debt which remains delinquent more than ninety (90) days. See 40 C.F.R. § 13.11(c). Should a penalty charge on the debt be required, it shall accrue from the first day payment is delinquent. See 31 C.F.R. § 901.9(d). Other penalties for failure to make a payment may also apply.

25. Pursuant to 1414(g)(3)(D) of the Act, 42 U.S.C. § 300g-3(g)(3)(D), any person who fails to pay on a timely basis a civil penalty ordered or assessed under this section shall be required to pay, in addition to such penalty and interest, the United States' enforcement expenses including, but not limited to, attorneys' fees and costs incurred by the United States for collection proceedings, and a quarterly non-payment penalty for each quarter during which



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202  
Page 8 of 11

such failure to pay persists. Such non-payment penalty shall be twenty percent (20%) of the aggregate amount of such person's outstanding penalties and non-payment penalties accrued as of the beginning of each quarter.

26. Failure by Respondent to pay the penalty assessed according to the terms of this CAFO, in full, by its due date, may subject Respondent to a civil action to collect the assessed penalty and any accrued interest and penalties.

27. In the event a collection action is necessary, Respondent shall pay in addition to any applicable penalty, fees, and interest described herein all reasonable costs and expenses, including legal expenses and court costs, incurred by the United States for enforcement and collection proceedings for non-payment of the amounts agreed hereunder, pursuant to Section 1414(g)(3)(D) of the Act, 42 U.S.C. § 300g-3(g)(3)(D). In any such collection action, the validity, amount, and appropriateness of the penalty, and the terms of this CAFO shall not be subject to review.

**V. GENERAL PROVISIONS**

28. To execute this Agreement, Respondent shall sign and forward a copy of this CAFO, with original signature, to:

Mr. Efren Ordoñez  
Office of Regional Counsel (6RC-EW)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

29. Issuance of this CAFO does not relieve Respondent from responsibility to comply with all requirements of the Act and the requirements of any permits issued thereunder, nor does it constitute a waiver by EPA of its right to enforce compliance with the requirements of any applicable permits or other requirements of the Act by actions under the authority of the Act,

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

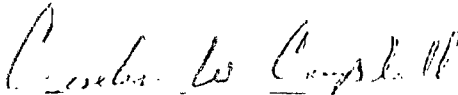
SDWA-06-2016-1202  
Page 9 of 11

except as to any requirement to pay any penalty or perform any corrective action not described herein for the violations alleged in the Complaint.

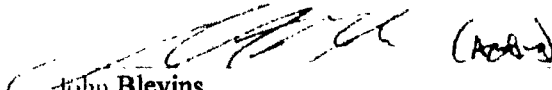
30. The provisions of this CAFO shall be binding upon Respondent, its officers, directors, managers, agents, representatives, employees, successors and assignees. Each party agrees to bear its own costs and attorneys' fees in this matter, except to the extent that Respondent may be responsible for reasonable costs and expenses of enforcement and collection proceedings for failure to comply with the terms of this CAFO.

31. Each undersigned representative of the Parties to this agreement certifies that he or she is fully authorized by the party represented to enter into the terms of this agreement and legally bind that party to it.

In recognition and acceptance of the foregoing:

  
For Red River Authority of Texas

Oct. 7, 2016  
Date

  
John Blevins  
Director  
Compliance Assurance and  
Enforcement Division

10-14-16  
Date

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

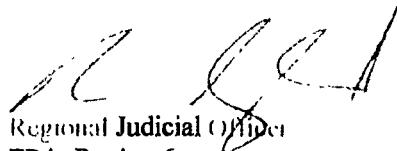
SDWA-06-2016-1202  
Page 10 of 11

**VI. FINAL ORDER**

Pursuant to the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, 40 C.F.R. Part 22, the foregoing Consent Agreement and Final Order ("CAFO") is hereby ratified. This CAFO shall not in any case affect the right of EPA or the United States to pursue appropriate injunctive or other equitable relief or criminal sanctions for any violations of law. This CAFO shall resolve only those causes of action alleged in the Complaint. Nothing in this CAFO shall be construed to waive, extinguish, or otherwise affect Respondent's (or its officers', agents', servants', employees', successors', or assigns') obligation to comply with all applicable Federal, State, and local statutes and regulations, including the regulations subject to this action. The Respondent is ordered to comply with the terms of settlement and the civil penalty payment instructions as set forth in the CAFO. Pursuant to 40 C.F.R. § 22.31(b), this Final Order shall become effective upon filing with the Regional Hearing Clerk.

Issuance Date:

10/16/17

  
Regional Judicial Officer  
EPA, Region 6

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

SDWA-06-2016-1202  
Page 11 of 11

**CERTIFICATE OF SERVICE**

I hereby certify that on the 18<sup>th</sup> day of October, 2016, the original of the foregoing CAFO was hand-delivered to the Regional Hearing Clerk (6RC-D), EPA Region 6, 1445 Ross Avenue, Suite 1200, Dallas, Texas 75202-2733, and that true and correct copies were placed in the United States mail, first class, postage prepaid, addressed to each of the following:

Copy by certified mail  
Return receipt requested

Mr. Curtis Campbell, General Manager  
Red River Authority of Texas  
P.O. Box 240  
Wichita Falls, TX 76307-0240

Copy by first class mail:

Ms. Emily Rogers  
Bickerstaff Heath Delgado Acosta LLP  
3711 S. MoPac Expwy, Building One, Suite 300  
Austin, TX 78746

Copy hand-delivered:

Ms. Lorena Vaughn  
Office of Regional Counsel  
Regional Hearing Clerk (6RC-D)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

Mr. Efrén Ordoñez  
U.S. EPA, Region 6 (Mail Code 6RC-EW)  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

Date:

10/18/16

Jackie Allen

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

**REGION 6**  
**1445 ROSS AVENUE, SUITE 1200**  
**DALLAS, TEXAS 75202-2733**

**NOV 08 2016**

**CERTIFIED MAIL—RETURN RECEIPT REQUESTED: 7005 1820 0003 7451 0218**

Mr. Curtis Campbell  
General Manager  
Red River Authority of Texas  
d/b/a Truscott Gilliland Water System  
P.O. Box 240  
Wichita Falls, TX 76307-0240

**RECEIVED**

Re: PWS ID Number: TX1380006  
Docket Number: SDWA-06-2016-1236

Dear Mr. Campbell:

This letter acknowledges receipt by the U.S. Environmental Protection Agency (EPA) of the nitrate compliance plan and construction schedule submitted by the Red River Authority of Texas in response to Administrative Order (Order) Docket Number SDWA-06-2013-1235, issued on March 8, 2013. EPA has determined that the plan and the construction schedule are a satisfactory response to Section D of the Original Order. The plan specifies a timeline for bringing the Truscott Gilliland Water System into compliance with the maximum contaminant level (MCL) for nitrate. EPA's acceptance of the plan does not guarantee compliance with the Safe Drinking Water Act (SDWA); Red River Authority of Texas remains solely responsible for compliance with the SDWA.

As a result of the terms and construction schedule specified in the plan, EPA hereby issues this Order to Red River Authority of Texas to implement the approved plan, including the implementation schedule specified in the enclosed Order. This Order supersedes the Order issued on March 8, 2013. As specified in this Order, Red River Authority of Texas must achieve compliance with nitrate MCL requirements by June 30, 2018.

Red River Authority of Texas is also responsible for compliance with all applicable Texas regulations in Title 30 Texas Administrative Code (TAC), Chapter 290, and Subchapter D. Most treatment options require the submittal of engineering plans and specifications to the Texas Commission on Environmental Quality (TCEQ) for review and approval, as indicated in 30 TAC § 290.39(j). The engineering plans and specifications and any pilot study report must be prepared by a Texas licensed professional engineer as required in 30 TAC §§ 290.39(d)(1) and 290.42(g), respectively. Please send submittals to the TCEQ Public Drinking Water Section addresses referenced in paragraph II of the Original Order and all submittals must include the EPA Docket Number.

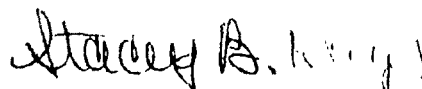
Please be aware that failure to comply with this Order may subject Red River Authority of Texas to additional enforcement action by EPA, including the initiation of legal proceedings to seek monetary penalties.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Re: Administrative Order Plan Implementation      2  
RRA Truscott Gilliland Water System

If you need assistance, or have questions regarding this Order, please contact  
Mr. Mehdi Taheri, of my staff, at (214) 665-2298.

Sincerely,



Stacey B. Dwyer, P.E.  
Acting Director  
Compliance Assurance and  
Enforcement Division  
U.S. EPA, Region 6

Enclosure

cc: Mr. Bryan Sinclair  
Director, Enforcement Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

Ms. Cari-Michel La Caille  
Director, Water Supply Division  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**



**U.S. ENVIRONMENTAL PROTECTION AGENCY-REGION 6**

**FINDINGS OF VIOLATION AND COMPLIANCE ORDER**

In the Matter of: RRA Truscott Gilliland Water System  
Owned/Operated by the Red River Authority of Texas, Respondent  
Docket No. SDWA-06-2016-1236, PWS ID # TX1380006

**STATUTORY AUTHORITY**

The following findings are made and an Administrative Order (AO) is issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA"), by Section 1414(g) of the Safe Drinking Water Act ("Act"), 42 U.S.C. § 300g-3(g). The Administrator delegated the authority to issue this Order to the Regional Administrator of EPA Region 6, who delegated such authority to the Director of the Compliance Assurance and Enforcement Division.

**FINDINGS**

1. Red River Authority of Texas ("Respondent") is a "person," as defined by Section 1401(12) of the Act, 42 U.S.C. § 300f(12).

2. At all times relevant to the violations alleged herein ("relevant time period"), Respondent owned or operated the Truscott Gilliland Water System, a public water system ("PWS"), as defined by Section 1401(4) of the Act, 42 U.S.C. § 300f(4), located in Knox County, Texas ("facility"), designated as PWS number TX1380006.

3. As a PWS and a "supplier of water," Respondent is subject to the regulations promulgated by EPA pursuant to Section 1412 of the Act, 42 U.S.C. § 300g-1, entitled National Primary Drinking Water Regulations ("NPDWR").

4. During the relevant time period, Respondent's PWS was a "community water system," as defined by Section 1401(15) of the Act, 42 U.S.C. § 300f(15).

5. The Texas Commission on Environmental Quality ("TCEQ") and EPA have enforcement authority for the PWS provisions of the Act in the State of Texas. TCEQ and EPA have consulted regarding this Order, and it has been agreed that EPA would initiate this enforcement action.

6. During the relevant time period, Respondent's PWS was subject NPDWR requirements for the nitrate maximum contaminant level ("MCL") as set forth in 40 C.F.R. § 141.62 and 40 C.F.R. § 141.23(d). Respondent monitored for nitrate in the last four quarters from the 4<sup>th</sup> quarter of 2011 through the 3<sup>rd</sup> quarter of 2012 and reported values of 15.00 mg/L, 14.9 mg/L, 15.5 mg/L, and 14.5 mg/L, respectively, that exceeded the nitrate MCL of 10 mg/L in violation of 40 C.F.R. § 141.62(b)(7).

7. Respondent is required to comply with the nitrate requirements of the Act, as set forth in Section 1412 of the Act, 42 U.S.C. § 300g-1.

8. On March 8, 2013, EPA issued an Administrative Order (AO), Docket Number SDWA-06-2013-1235, to Respondent for the nitrate MCL violations and required submittal of a detailed plan specifying measures that shall be implemented to bring the PWS back into compliance with the MCL requirements. This AO supersedes the AO issued on March 8, 2013.

9. Respondent monitored for the nitrate MCL in the 1<sup>st</sup>, and the 2<sup>nd</sup> quarter of 2016, and reported values of 11 mg/L and 11.7 mg/L, respectively, that exceeded the nitrate MCL of 10 mg/L in violation of the MCL specified in 40 C.F.R. § 141.62(b)(7).

10. In compliance with the previously issued AO, Respondent has 1) provided public notice as required by 40 C.F.R. § 141.201; 2) submitted a plan to EPA detailing how Respondent will return the PWS to compliance with the MCL for nitrate; and 3) provided EPA with an initial progress report on the compliance activities.

11. Respondent is hereby ordered to comply with the terms of the detailed plan submitted by Respondent and approved by EPA. The terms of the plan and compliance schedule are hereby incorporated (see paragraph D, below).

**SECTION 1414(g) COMPLIANCE ORDER**

Based on these findings and pursuant to the authority of Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), EPA orders Respondent to take the following actions:

A. Respondent shall comply with 40 C.F.R. § 141.31(b) and notify both TCEQ and EPA within forty-eight (48) hours in the event of nitrate MCL violations.

B. In event of nitrate MCL violations, the Respondent shall, within thirty (30) days of issuance of this Order, provide a public notice of the violations as set forth in 40 C.F.R. § 141.201. In the public notice, Respondent shall specify that pregnant women and children under six (6) months of age should not drink the water until notified by the PWS. Respondent shall submit a copy of the public notice to EPA and TCEQ within forty (40) days of the effective date of this Order.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 11B-EPA CORRESPONDENCE**

Docket No. SDWA-06-2016-1236

Page 2

C. After the effective date of this Order, in the event that sampling results indicate Respondent is exceeding the MCL for nitrate, as specified in 40 C.F.R. § 141.62, Respondent shall make available, within forty-eight (48) hours of the nitrate MCL violation, an alternative source of water to pregnant women and children under the age of six (6) months. Respondent shall continue to make available an alternative source of water for this population until sample results indicate that the nitrate level is within the MCL requirement. Respondent shall provide a written description to EPA and TCEQ within five (5) days of the violation describing how Respondent will make available drinking water to pregnant women and children under 6 months of age.

D. Respondent shall comply with the terms and schedule specified in the plan submitted to EPA. The project timeline shall be followed and completed as Respondent submitted in the detailed plan:

1. Approval of FY 2015-2016 financial audit by the Board of Directors by January 18, 2017.
2. Shall submit Plans and Specifications to TCEQ for approval by April 1, 2017.
3. Approval of bond issuance and funding available by April 18, 2017.
4. Construction bid(s) shall be awarded by July 19, 2017.
5. Shall begin construction on August 15, 2017.
6. Shall complete the construction by May 31, 2018.
7. Final project completion and plan to be operational by June 30, 2018.

E. Respondent must achieve and maintain compliance with the MCL for nitrate 40 C.F.R. § 141.62(b)(7) by June 30, 2018, the date specified in the plan submitted to EPA.

**SECTION 1445 INFORMATION DEMAND**

F. Respondent shall provide EPA with quarterly progress reports within ten (10) days after the end of each calendar quarter regarding activities undertaken pursuant to the plan and shall notify EPA when all activities have been completed.

G. The reporting required by this Order must be provided by the Respondent to EPA at the following address:

Mr. Mehdi Taheri  
Water Enforcement Branch (6EN-W)  
U.S. EPA, Region 6  
1445 Ross Avenue, Suite 1200  
Dallas, TX 75202-2733

II. Regarding Parts A, B, and C in the Order Section, Respondent shall submit a copy of the public notice to TCEQ at each of the following addresses:

Order Compliance Team  
Enforcement Division, MC 149A  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

and

Public Drinking Water Section  
Water Supply Division, MC 155  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, TX 78711-3087

**GENERAL PROVISIONS**

This Order is effective upon receipt by Respondent.

Respondent may seek federal judicial review of the Order pursuant to Chapter 7 of the Administrative Procedure Act, 5 U.S.C. §§ 701-706.

This Section 1414(g) Compliance Order and the Section 1445 Information Demand do not constitute a waiver, suspension, or modification of the requirements of 40 C.F.R. Part 141 or other applicable federal and state requirements, which remain in full force and effect. Issuance of this Section 1414(g) Compliance Order and the Section 1445 Information Demand is not an election by EPA to forego any civil or any criminal action otherwise authorized under the Act.

Violation of any term of this Section 1414(g) Compliance Order and the Section 1445 Information Demand or the Act may subject Respondent to an administrative civil penalty of up to \$32,500 under Section 1414(g) of the Act, 42 U.S.C. § 300g-3(g), or a civil penalty of not more than \$37,500 per day per violation, assessed by an appropriate United States District Court under Section 1414(g)(3)(A) of the Act, 42 U.S.C. § 300g-3(g)(3)(A).

This Order shall be binding on the PWS cited herein and all its successors and assignees. No change in ownership of the PWS shall alter the responsibility of the PWS under this Order.

Nov. 8, 2016  
Date

Stacey B. Dwyer  
Acting Director  
Compliance Assurance and  
Enforcement Division



**RED RIVER AUTHORITY OF TEXAS, POX BOX 240, WICHITA FALLS, TEXAS 76310**  
**TRANSFER APPLICATION QUESTION 14-RED RIVER AUTHORITY WATER RATE SCHEDULE**

**RED RIVER AUTHORITY SYSTEM WIDE WATER RATE SCHEDULE**

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

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

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

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**



**for the years ended September 30, 2016 and 2015**

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**for the years ended September 30, 2016 and 2015**

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
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
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report.....		1-3
Management's Discussion and Analysis (Required Supplementary Information)		4-9
<u>BASIC FINANCIAL STATEMENTS</u>		
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 .....		14-41
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System .....	B-1	42
Schedule of Employer Contributions – Texas County and District Retirement System .....	B-2	43
Notes to Required Supplementary Information .....		44
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Combining Schedule of Net Position .....	C-1	45
Combining Schedule of Revenues, Expenditures, and Changes in Net Position .....	C-2	46
Combining Schedule of Cash Flows .....	C-3	47-48
Comparative Schedule of Revenues and Expenses – Enterprise Funds – Budget and Actual .....	C-4	49
Comparative Schedule of Revenues and Expenses – Internal Service Funds – Budget and Actual .....	C-5	50-51
Services and Rates .....	C-6	52-53
Schedule of Proprietary Fund Expenditures.....	C-7	54
Schedule of Temporary Investments.....	C-8	55
Taxes Levied and Receivable.....	C-9	56
Bonded Debt and Interest Maturities – Water Revenue Bonds.....	C-10	57
Debt Service Coverage – Water Revenue Bonds.....	C-11	58
Contract Revenue Bonds – Series 2010 .....	C-12	59
Analysis of Changes in Bonded Debt .....	C-13	60

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**for the years ended September 30, 2016 and 2015**

OTHER SUPPLEMENTARY INFORMATION (CONT'D.)

	<u>Exhibit</u>	<u>Page</u>
--	----------------	-------------

Comparative Schedule of Revenue and Expenditures -		
Proprietary Fund .....	C-14	61
Enterprise Funds – Capital Assets.....	C-15	62
Internal Service Funds – Capital Assets.....	C-16	63-64
Utility Division Regional Water Supply – Service Area		
Map .....	C-17	65
Schedule of Clean Rivers Program Expenditures .....	C-18	66
Indirect Rate Factor .....	C-19	67
Interfund Receivable and Payable Balances .....	C-20	68-69

STATISTICAL SECTION

Net Position by Component – Last Nine Fiscal Years.....	D-1	70
Changes in Net Position – Last Nine Fiscal Years.....	D-2	71
Schedule of Revenues – Last Ten Fiscal Years .....	D-3	72
Utility Division Water Sales – Last Ten Fiscal Years .....	D-4	73
Utility Division Water Sales Characteristics – Last Ten Fiscal Years.....	D-5	74
Districts Within the Utility Division .....	D-6	75
Top Ten Utility Customers.....	D-7	76
Schedule of Water Revenue Bond Coverage – Last Ten Fiscal Years .....	D-8	77
Schedule of Expenses .....	D-9	78
Red River Basin General Information.....	D-10	79
Population Data .....	D-11	80
Significant Reservoirs in the Red River Basin.....	D-12	81
Water Sales Trend Analysis .....	D-13	82
Red River Chloride Control Project.....	D-14	83
Chloride Control Project Vicinity Map.....	D-15	84
Insurance Coverage .....	D-16	85

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	86-87
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## **INTRODUCTORY SECTION**

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**ANNUAL FILING AFFIDAVIT**

THE STATE OF TEXAS     §

COUNTY OF WICHITA     §


I, **Nathan J. (Jim) Bell IV, 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 18th day of January, 2017 its annual audit report for the fiscal period ended September 30, 2016 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.

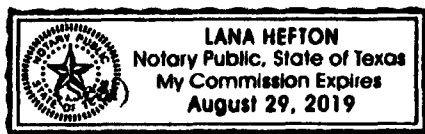
This filing affidavit and the attached copy of the annual audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

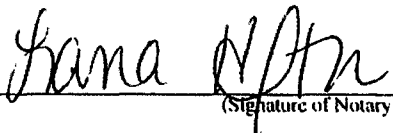
Date: January 18, 2017

  
(Signature of District Representative)

**Nathan J. (Jim) Bell IV, President**  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 18<sup>th</sup> day of January, 2017.



  
(Signature of Notary)

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

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**for the year ended September 30, 2016**

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

Authority Business Telephone Number: (940) 723-8697

<u>Names and Addresses</u>	<u>Term of Office Elected and Expired or Date Hired</u>	<u>Fees and Expense Reimbursements September 30, 2016</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<b>Board Members:</b>				
Nathan J. (Jim) Bell, IV 2221 Lamar Avenue Paris, Texas 75461	10-16-00 – 08-11-17	\$1,212	President	Yes
C. Cole Camp 4402 Charlene Avenue Amarillo, Texas 76106	07-28-08 – 08-11-19	1,229	Vice President	Yes
Penny C. Carpenter 1899 CR 12 Silverton, Texas 79257	07-28-08 – 08-11-19	1,178	Secretary	Yes
Stephen A. Thornhill 2470 West Crawford Denison, Texas 75020	09-05-14 – 08-11-19	927	Assistant Secretary	Yes
George Wilson Scaling, II 450 Rhat Road Henrietta, Texas 76365	08-11-09 – 08-11-15	513	Director	Yes
Jerry Bob Daniel 4911 FM 1756 West Truscott, Texas 79227	08-11-09 – 08-11-15	208	Director	Yes
Mayfield McCraw P. O. Box 9 Telephone, Texas 75488	09-22-09 – 08-11-17	918	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, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**for the year ended September 30, 2016**

<u>Names and Addresses</u>	<u>Term of Office Elected and Expired or Date Hired</u>	<u>Fees and Expense Reimbursements September 30, 2016</u>	<u>Title at Year End</u>
<b>Key Administrative Personnel:</b>			
Curtis W. Campbell 903 East Wichita Street Henrietta, Texas 76365	08-16-1981	\$ 0	General Manager
<b>Engineering Consultants:</b>			
Kerry D. Maroney, P.E. Biggs and Mathews, Inc. 2500 Brook Avenue Wichita Falls, Texas 76301		256,911	Consultant
Simone Kiel, P.E. Freese and Nichols, Inc. 4055 International Plaza, Ste 200 Fort Worth, Texas 76109		0	Consultant
HDR Engineering, Inc. 4401 W. Gate Blvd, Suite 400 Austin, Texas 78745		0	Consultant
Peggy Glass, Ph.D. Alan Plummer Associates, Inc. 6300 La Calma, Suite 400 Austin, Texas 78752-3825		0	Consultant
<b>Legal Consultants:</b>			
Todd Davenport Sherrill & Gibson, PLLC 3711 Maplewood Avenue Suite 200 Wichita Falls, Texas 76308		7,275	General Counsel



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**for the year ended September 30, 2016**

<u>Names and Addresses</u>	<u>Term of Office Elected and Expired or Date Hired</u>	<u>Fees and Expense Reimbursements September 30, 2016</u>	<u>Title at Year End</u>
<b>Legal Consultants, Continued</b>			
Doug Caroom Bickerstaff, Heath, Delgado, Acosta, LLP 3711 S Mo-Pac Expressway Building One, Suite 300 Austin, Texas 78746		\$ 7,040	Special Counsel
Leroy Grawunder McCall, Parkhurst and Horton 717 N Harwood, Suite 900 Dallas, Texas 75201		0	Bond Counsel
<b>Financial Consultants:</b>			
David Medanich Hilltop Securities 777 Main Street, Suite 1200 Fort Worth, Texas 76102		0	Financial Advisor
<b>Depositories:</b>			
American National Bank P. O. Box 4476 Wichita Falls, Texas 76308			
TexPool – Comptroller of Public Accounts P. O. Box 12608 Austin, Texas 78711			



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, 2015**

Executive Director/CEO

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

January 5, 2017

**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, 2016 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 56<sup>th</sup> Texas Legislature as a political subdivision of the State, a body politic and corporate under Article XVI, Section 59 of the Texas Constitution. The Authority's Enabling Legislation, Article 8280-228, Vernon's Annotated Texas Civil Statutes (VATCS), enumerates the powers and duties granted under the General and Special Laws of the State to fulfill its purpose. Additionally, the Authority functions under certain provisions of the Texas Water Code, Chapter 30. The Authority's mission is the orderly conservation, reclamation, protection, and development of the water resources throughout the Red River Basin for the benefit of the public.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**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.

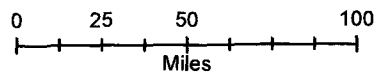
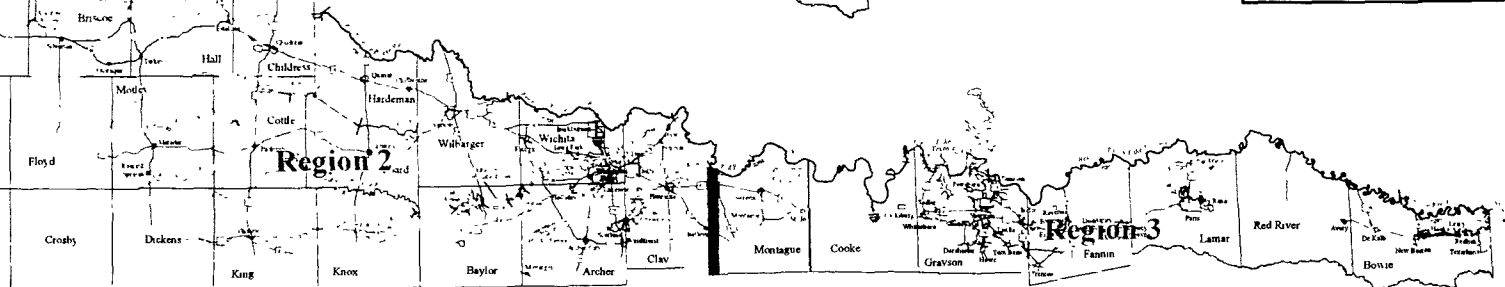
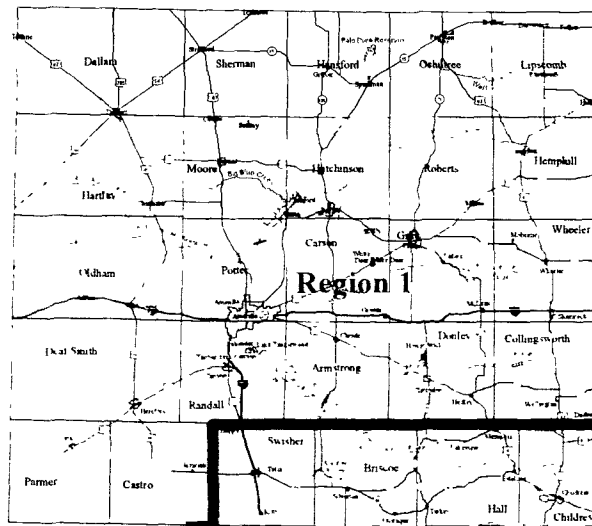
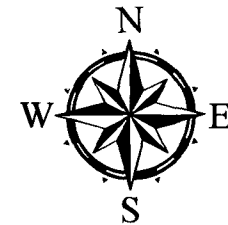
**ADMINISTRATION**

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 28 full-time classified employees on the Authority's payroll on September 30, 2016. **Refer to the Organizational Chart** for details.



# Red River Authority of Texas

## Jurisdictional Map



### Legend

- Hydrology
- Water Body
- Interstate Highway
- US Highway
- State Highway
- Urbanized Area
- RRA Jurisdiction

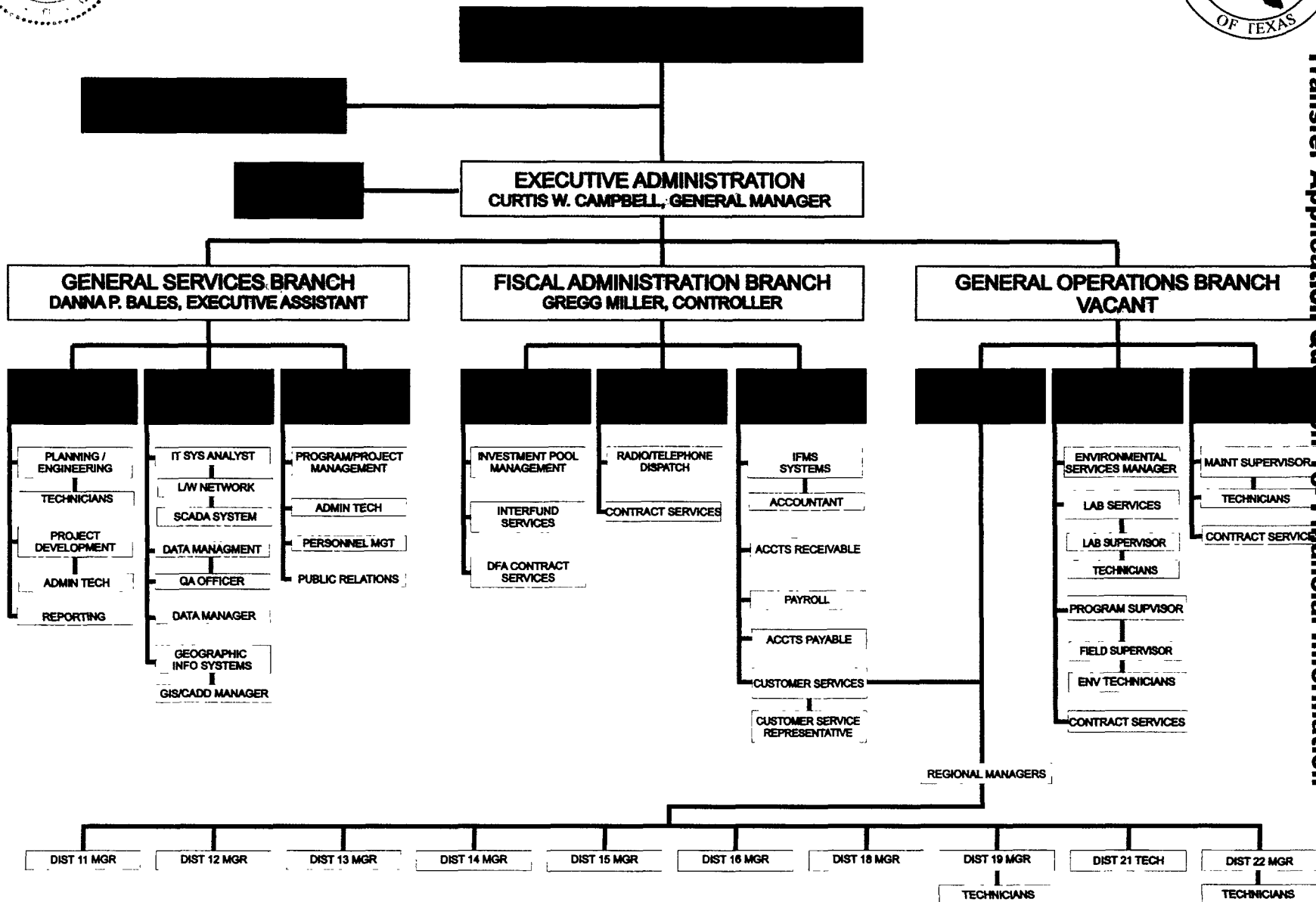
RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
Transfer Application Question 16- Financial Information



# Red River Authority of Texas Organizational Chart



RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310  
Transfer Application Question 16- Financial Information



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**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, 2015. This was the fourth 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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

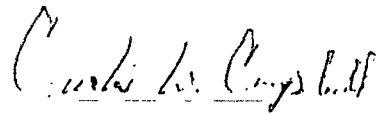
**ACKNOWLEDGEMENTS**

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



**Curtis W. Campbell**  
General Manager



**FINANCIAL SECTION**

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**



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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Board of Directors  
Red River Authority of Texas

Members of the Board of Directors:

We have audited the accompanying financial statements of Red River Authority of Texas (Authority) as of and for the years ended September 30, 2016 and 2015, 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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**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, 2016 and 2015, 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.

**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-20 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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2017, 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 5, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Transfer Application Question 16- Financial Information**

**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, 2016. 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 \$16,015,399 (net position). Of this amount, \$8,473,689 (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 \$356,667;
3. The Authority's total debt decreased by \$38,134 (6.0%) 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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

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

**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 14-41** 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 \$16,015,399 at the close of the most recent fiscal year.

**CONDENSED STATEMENT OF NET POSITION**

	2016	2015	2014
<b>Assets:</b>			
Current assets	\$7,807,184	\$7,635,052	\$6,547,707
Restricted assets	127,130	127,130	127,130
Capital assets	8,088,864	7,996,721	8,178,333
Noncurrent assets	295,062	922,200	811,184
Total assets	<u>16,318,240</u>	<u>16,681,103</u>	<u>15,664,354</u>
 <b>Deferred outflows of resources</b>	 <u>779,628</u>	 <u>188,623</u>	 <u>-</u>
 <b>Liabilities:</b>			
Current liabilities	291,616	384,325	277,281
Noncurrent liabilities	790,853	826,669	865,803
Total liabilities	<u>1,082,469</u>	<u>1,210,994</u>	<u>1,143,084</u>
 <b>Net position:</b>			
Net investment in capital assets	7,453,330	7,323,054	7,467,500
Restricted net position	88,380	88,380	899,564
Unrestricted net position	8,473,689	8,247,298	6,154,206
<b>Total net position</b>	<u><u>\$16,015,399</u></u>	<u><u>\$15,658,732</u></u>	<u><u>\$14,521,270</u></u>

In fiscal year 2016, 46.5% 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 (0.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$8,473,689 (52.9%) may be used to meet the Authority's ongoing obligations to constituents and creditors. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position with an increase in net position of \$356,667. 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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310****Transfer Application Question 16- Financial Information****MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

In fiscal year 2015, 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. An additional portion of the Authority's net position (.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$8,247,298 (52.7%) may be used to meet the Authority's ongoing obligations to constituents and creditors. At the end of fiscal year 2015, the Authority was able to report positive balances in all categories of net position. The Authority's net position increased by \$912,656 during the 2015 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**

	2016	2015	2014
<b>Operating revenues:</b>			
Water and sewer sales	\$ 4,104,905	\$ 4,066,063	\$ 4,072,153
Charges for materials and services	597,030	896,461	592,542
Other	379,887	325,801	520,952
Total operating revenues	5,081,822	5,288,325	5,185,647
<b>Operating expenses:</b>			
Water purchases	661,675	628,527	601,222
Personnel services	1,960,880	1,797,435	1,776,013
Administrative costs	155,203	163,638	86,298
Utilities, supplies, and maintenance	933,240	734,127	835,578
Insurance	53,398	50,822	52,961
Automobile and travel	178,101	189,622	229,942
Professional and directors fees	84,145	321,222	149,930
Research expense	23,710	-	39,690
Total operating expenses	4,050,352	3,885,393	3,771,634
Operating income before depreciation and amortization	1,031,470	1,402,932	1,414,013
Depreciation and amortization	(693,032)	(708,830)	(727,832)
Operating income	338,438	694,102	686,181
<b>Nonoperating revenues (expenses):</b>			
Interest income	25,385	5,712	7,265
Gain on disposal of assets	5,217	225,268	29,658
Interest expense	(12,373)	(12,426)	(103,652)
Total nonoperating revenues (expenses)	18,229	218,554	(66,729)
Change in net position	356,667	912,656	619,452
Net position, beginning, as originally stated	15,658,732	14,521,270	13,901,818
Prior period adjustment (GASB 68)	-	224,806	-
Net position, beginning, as restated	15,658,732	14,746,076	13,901,818
Net position, ending	\$16,015,399	\$15,658,732	\$14,521,270



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

Some of the major variances from fiscal year 2015 to fiscal year 2016 include a \$38,842 increase in water sales. This increase is the result of the relief from the drought related restrictions placed on the Authority in 2015. The Authority also incurred \$199,113 more in utilities, supplies and maintenance. This increase was due primarily to an increase in large repair costs on the water systems incurred in 2016 but not in 2015. In fiscal year 2016, the Authority closed out a large project from lightning damaging water pumps on the Preston Shores water system that occurred in fiscal year 2015 amounting to \$667,674 with \$373,714 being reimbursed by insurance, and line replacement income in the utility division amounting to \$22,857. There was also a decrease in automobile and travel due to lower fuel and repair costs. The interest income increased \$19,673 due to moving maturing certificates of deposit to local depository accounts with a much higher interest rate.

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 capital contributions 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, 2016 amounts to \$8,088,864 (net of accumulated depreciation). This investment in capital assets includes land, water systems, water rights, transportation equipment and other equipment, as well as construction in progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 0.1%.

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

- Preston Shores raw water pump and cable in the amount of \$617,997
- New service vehicles in the amount of \$101,261
- Lutie pump station in the amount of \$35,399
- Hinds line extension in the amount of \$14,690
- FM 3031 line extension in the amount of \$14,119
- Ed House pump station in the amount of \$9,050

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310****Transfer Application Question 16- Financial Information****MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued****CAPITAL ASSETS**

(Net of Depreciation)

Asset	Value September 30, 2015	Additions / Completions	Deletions	Value September 30, 2016	Accumulated Depreciation	Net Value
Land and easements	\$ 359,440	\$ -	\$ -	\$ 359,440	\$ -	\$ 359,440
Construction in progress	103,591	739,455	761,443	81,603	-	81,603
Building	968,554	4,800	-	973,354	325,252	648,102
Water storage rights	1,222,700	-	-	1,222,700	249,688	973,012
Water systems	16,582,118	703,119	-	17,285,237	11,682,007	5,603,230
Machinery and equipment	1,113,281	3,352	91,044	1,025,589	851,684	173,903
Furniture and fixtures	385,195	4,114	-	389,309	348,189	41,120
Motor vehicles	551,225	101,261	59,617	592,869	384,417	208,452
Totals	<u>\$ 21,286,104</u>	<u>\$ 1,556,101</u>	<u>\$912,104</u>	<u>\$ 21,930,101</u>	<u>\$ 13,841,237</u>	<u>\$ 8,088,864</u>

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 \$635,533. 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, 2016 are summarized as follows:

	Average Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding September 30, 2015	Additions Issuances (Sales) (Retirements)	Bonds Outstanding September 30, 2016
<b>Water Revenue Bonds</b>							
Series 2010	1.90%	08/15/2030	\$26,600 to \$53,600	<u>\$ 849,200</u>	<u>\$ 673,667</u>	<u>(\$38,134)</u>	<u>\$ 635,533</u>

The Authority's bonded debt decreased by \$38,134 (6.0%) 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

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

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.

In fiscal year 2017, the Authority anticipates issuing approximately \$15,000,000 in new revenue bonds. Approximately eight million dollars of the bond proceeds will fund the remediation of the Environmental Protection Agency's (EPA) Administrative Enforcement Orders 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, the remainder of the proceeds will be funding improvements to the Authority's infrastructure.

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 2017 fiscal year.

The Authority has projected an increase of \$379,341 in net position for the 2017 fiscal year budget.

**Requests for Information**

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

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

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**BASIC FINANCIAL STATEMENTS**

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310****Transfer Application Question 16- Financial Information****Exhibit A-1****RED RIVER AUTHORITY OF TEXAS****STATEMENTS OF NET POSITION****September 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$ 6,873,070	\$ 3,623,477
Investments	-	2,411,363
Receivables:		
Trade and contracts	833,666	1,214,594
Insurance	-	325,000
Prepaid expenses	34,482	6,231
Inventory	65,966	54,387
<b>Restricted assets:</b>		
Cash and short-term investments	127,130	66,637
Investments	-	60,493
Total current assets	<u>7,934,314</u>	<u>7,762,182</u>
<b>Long-term assets:</b>		
Net pension assets	295,062	922,200
Capital assets not being depreciated	441,043	463,031
Capital assets being depreciated (net)	<u>7,647,821</u>	<u>7,533,690</u>
Total long-term assets	<u>8,383,926</u>	<u>8,918,921</u>
Total assets	<u>16,318,240</u>	<u>16,681,103</u>
<b>Deferred outflows of resources:</b>		
Pension related	<u>779,628</u>	<u>188,623</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable - trade	195,993	267,701
Accrued payroll and related taxes	28,973	29,917
Unearned revenue	27,683	48,573
Bonds payable - current maturities	<u>38,967</u>	<u>38,134</u>
Total current liabilities	<u>291,616</u>	<u>384,325</u>
<b>Long-term liabilities:</b>		
Bonds payable, less current maturities	596,567	635,533
Deposits	<u>194,286</u>	<u>191,136</u>
Total long-term liabilities	<u>790,853</u>	<u>826,669</u>
Total liabilities	<u>1,082,469</u>	<u>1,210,994</u>
<b>Net position:</b>		
Net investment in capital assets	7,453,330	7,323,054
Restricted:		
Debt service, repair and replacement, and construction	88,380	88,380
Unrestricted	<u>8,473,689</u>	<u>8,247,298</u>
Total net position	<u>\$ 16,015,399</u>	<u>\$ 15,658,732</u>

The accompanying notes are an integral part of this statement.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

Exhibit A-2

**RED RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
for the years ended September 30, 2016 and 2015

	2016	2015
<b>Operating revenues:</b>		
Water and sewer sales	\$ 4,104,905	\$ 4,066,063
Charges for materials and services	597,030	896,461
Other	379,887	325,801
Total operating revenues	<u>5,081,822</u>	<u>5,288,325</u>
<b>Operating expenses:</b>		
Water purchases	661,675	628,527
Personnel services	1,960,880	1,797,435
Administrative costs	155,203	163,638
Utilities, supplies, and maintenance	933,240	734,127
Insurance	53,398	50,822
Automobile and travel	178,101	189,622
Professional and directors fees	84,145	321,222
Research expense	23,710	-
Total operating expenses	<u>4,050,352</u>	<u>3,885,393</u>
Operating income before depreciation and amortization	1,031,470	1,402,932
Depreciation and amortization	<u>(693,032)</u>	<u>(708,830)</u>
Operating income	<u>338,438</u>	<u>694,102</u>
<b>Nonoperating revenues (expenses):</b>		
Interest income	25,385	5,712
Gain on disposal of assets	5,217	225,268
Interest expense	<u>(12,373)</u>	<u>(12,426)</u>
Total nonoperating revenues (expenses)	<u>18,229</u>	<u>218,554</u>
Change in net position	<u>356,667</u>	<u>912,656</u>
Net position, beginning of year, as originally stated	15,658,732	14,521,270
Prior period adjustment	<u>-</u>	<u>224,806</u>
Net position, beginning of year, as restated	<u>15,658,732</u>	<u>14,746,076</u>
Net position, ending	<u>\$ 16,015,399</u>	<u>\$ 15,658,732</u>

The accompanying notes are an integral part of this statement.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310****Transfer Application Question 16- Financial Information**

Exhibit A-3

Page 1 of 2

**RED RIVER AUTHORITY OF TEXAS  
STATEMENTS OF CASH FLOWS**

for the years ended September 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 5,770,010	\$ 5,055,211
Cash payments to suppliers for goods and services	(2,201,010)	(1,991,256)
Cash payments to employees for services	(1,925,691)	(1,872,268)
Net cash provided by operating activities	<u>1,643,309</u>	<u>1,191,687</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on revenue bonds	(38,134)	(37,166)
Interest paid on revenue bonds	(12,373)	(12,426)
Acquisition of capital assets	(843,423)	(643,329)
Proceeds from sale of equipment	63,464	16,379
Net cash used in capital and related financing activities	<u>(830,466)</u>	<u>(676,542)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	2,471,858	63,931
Purchases of investments	-	(73,777)
Interest received on investments	25,385	5,712
Net cash provided by (used in) investing activities	<u>2,497,243</u>	<u>(4,134)</u>
Net increase (decrease) in cash and cash equivalents	3,310,086	511,011
Cash and cash equivalents, beginning	<u>3,690,114</u>	<u>3,179,103</u>
Cash and cash equivalents, ending	<u>\$ 7,000,200</u>	<u>\$ 3,690,114</u>
	<b>2016</b>	<b>2015</b>
<b>Displayed as:</b>		
<b>Current Assets:</b>		
Cash and short-term investments	\$ 6,873,070	\$ 3,623,477
<b>Restricted Assets:</b>		
Cash and short-term investments	<u>127,130</u>	<u>66,637</u>
	<u>\$ 7,000,200</u>	<u>\$ 3,690,114</u>

The accompanying notes are an integral part of this statement.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**

**Exhibit A-3**

**Page 2 of 2**

**RED RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS, Continued**  
for the years ended September 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
<b>Operating income</b>	<u>\$ 338,438</u>	<u>\$ 694,102</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	693,032	708,830
Change in assets and liabilities:		
(Increase) decrease in trade receivables	705,928	(250,976)
(Increase) decrease in prepaid expenses	(28,251)	4,278
(Increase) decrease in inventory	(11,579)	5,210
(Increase) decrease in net pension assets and related deferred outflows	36,133	(74,833)
Increase (decrease) in trade accounts payable	(71,708)	86,073
Increase (decrease) in accrued liabilities	(944)	1,141
Increase (decrease) in unearned revenues	(20,890)	18,862
Increase (decrease) in deposits	3,150	(1,000)
Total adjustments	<u>1,304,871</u>	<u>497,585</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 1,643,309</u></u>	<u><u>\$ 1,191,687</u></u>

The accompanying notes are an integral part of this statement.



**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Years Ended September 30, 2016 and 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**Years Ended September 30, 2016 and 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

B. Basis of Presentation

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

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

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

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

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**Years Ended September 30, 2016 and 2015**

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.

**RED RIVER AUTHORITY, PO BOX 240, WICHITA FALLS, TEXAS 76310**  
**Transfer Application Question 16- Financial Information**  
**RED RIVER AUTHORITY OF TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**Years Ended September 30, 2016 and 2015**

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**.