

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
RIVERBEND WATER RESOURCES DISTRICT  
*Year ended September 30, 2012*

# RIVERBEND WATER RESOURCES DISTRICT

## Financial Statements

Year ended September 30, 2012

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**ANNUAL FILING AFFIDAVIT**

THE STATE OF TEXAS }  
COUNTRY OF \_\_\_\_\_ }

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

\_\_\_\_\_  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, its annual audit report for the fiscal year or period ended \_\_\_\_\_ and that copies of the annual audit report have been filed in the district office, located at \_\_\_\_\_

\_\_\_\_\_  
(Address of District)

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

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

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

**TEXAS WATER CODE SECTION 49.194**  
Filing of Audits, Affidavits, and Financial Reports

- (a) After the board has approved the audit, it shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year.
- (b) If the board refuses to approve the annual audit report, the board shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year, accompanied by a statement from the board explaining the reasons for its failure to approve the report.
- (c) Copies of the audit, the annual financial dormancy affidavit, or annual financial report described in Sections 49.197 and 49.198 shall be filed annually in the office of the district.
- (d) Each district shall file with the executive director an annual filing affidavit in a format prescribed by the executive director, executed by a duly authorized representative of the board, stating that all copies of the annual audit report, annual financial dormancy affidavit, or annual financial report have been filed under this section.
- (e) The annual filing affidavit shall be submitted with the applicable annual document when it is submitted to the executive director for filing as prescribed by this subchapter.
- (f) The executive director shall file with the attorney general the names of any districts that do not comply with the provisions of this subchapter.

Added by Acts 1995, 74<sup>th</sup> Leg., ch. 715, § 2, eff. Sept. 1, 1995.

You can find the Texas Water Code and most other state laws on the Legislative web site (<http://www.capitol.state.tx.us>) or in a number of libraries. If you don't have access to the Internet, try the library that serves your local school, county, city, community college, university, or law school. Many of these libraries offer Internet access to the public for free.

**THE ANNUAL FILING AFFIDAVIT IS PRINTED ON THE OTHER SIDE**

Please review the affidavit, making sure it has been fully completed, signed, and notarized. Attach the affidavit to the audit report before mailing. Submit the completed affidavit and audit report to:

Districts Review Team - MC 152  
TCEQ  
PO Box 13087  
Austin TX 78711-3087

Also, this form (TCEQ-0723) is available on our Web site ([www.tceq.state.tx.us](http://www.tceq.state.tx.us)). If you have any questions, please contact us at (903) 223 - 3905. Our facsimile number is (903) 223 - 3905.



**VAIL & KNAUTH, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
AUDIT, TAX AND ADVISORY SERVICES

Michael G. Vail, CPA  
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Cliff E. Wall, CPA  
Pamela C. Moore, CPA

Members:  
American Institute of CPAs  
Texas Society of CPAs

## Report of Independent Auditors

To the Board of Directors  
Riverbend Water Resources District

We have audited the accompanying financial statements of the business-type activities of Riverbend Water Resources District (District), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents, which is also the responsibility of the District's management, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District. Such supplemental information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the financial statements taken as a whole.

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Vail + Knauth, LLP

Dallas, Texas  
October 30, 2013

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

### **Year Ended September 30, 2012**

The following discussion and analysis is provided by the Riverbend Water Resources District, hereafter referred to as the District.

The Riverbend Water Resources District was created in 2009 primarily as a conservation and reclamation district created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution.

#### **Financial Highlights**

- The total assets of the District are \$318,797 and the total liabilities are \$748,942.
- The fund equity (deficit) of the District at the end of the year was (\$430,145) and decreased during the year by 88%.
- The total fund equity of the District decreased by \$201,132 and the total liabilities of the District increased by \$748,942 or 100%.
- The District had an operating loss of \$201,132 for the year. Total operating expenses were \$201,132, and there was no operating income.
- The District increased its cash by \$75,012.

#### **Overview of the Financial Statements**

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are: 1) Balance Sheet; 2) Statement of Revenues, Expenditures and Changes in Fund Equity; and 3) Statement of Cash Flows.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenditures are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Equity. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Overview of Financial Activities and Analysis

To begin our analysis, summaries of the District's Balance Sheets and Statements of Revenues, Expenses, and Changes in Fund Equity are presented below.

#### Condensed Balance Sheet

	September 30, <u>2012</u>
Current and Other Assets	\$ 318,797
Total Assets	<u>318,797</u>
Current Liabilities	<u>748,942</u>
Total Liabilities	<u>748,942</u>
Fund balance	
Unrestricted	<u>(430,145)</u>
Total Fund Equity	<u>(430,145)</u>
Total Liabilities and Fund Equity	<u><u>\$ 318,797</u></u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Condensed Statement of Revenues,  
Expenditures, and Changes in Fund Equity**

	September 30, <u>2012</u>
Operating Revenues	\$ -
Non-operating Revenues	-
	<hr/>
Total Revenues	-
	<hr/>
Operating and Other Expenditures	(201,132)
	<hr/>
Total Expenditures	(201,132)
	<hr/>
Change in Fund Equity	(201,132)
Beginning Fund Equity Before Restatement	243,784
Prior Period Adjustment	(472,797)
Beginning Fund Equity (Deficit)	(229,013)
	<hr/>
Ending Fund Equity (Deficit)	\$ (430,145)
	<hr/> <hr/>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **Overview of the Financial Statements - continued**

The overall financial position of the District is very healthy. The operations of the District for the year ended September 30, 2012 produced an increase in the District's Fund Balance.

### **Economic Factors and Next Year's Budget**

While the nation's economy is in distress, the water industries and the District's economic outlook is stable. The District expanded its membership base during 2012, and expects to increase its oversight of natural resources within the North East region of Texas in 2013 and beyond. The 2013 budget is based on a consistent flow of fees from member's entities within the region.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Riverbend Water Resources District.

ATTN: Scott Albert, Executive Director  
28 Morris Lane, Suite 118  
Texarkana, TX 75503  
903-223-3905

Riverbend Water Resources District  
Balance Sheet  
Property Fund Types - Enterprise Funds  
September 30, 2012

**Assets**

Current assets:

Cash and cash equivalents	\$ 318,797
Accounts receivable	-
Total current assets	318,797

Total Assets	318,797
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**Liabilities and Fund Equity**

Current liabilities

Accounts Payable	123,438
Deferred revenue	625,504
	748,942

Total Liabilities	748,942
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**Fund Equity (Deficit)**

Unrestricted	(430,145)
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Total Fund Equity (Deficit)	(430,145)
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Total Liabilities and Fund Deficit	\$ 318,797
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*The accompanying notes are an integral part of these financial statements.*

Riverbend Water Resources District  
Statement of Revenues, Expenditures, and Changes in Fund Equity  
Property Fund Types - Enterprise Funds  
Year Ended September 30, 2012

Operating revenues:	
Water service	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Operating expenses	<u>16,253</u>
Operating income (loss)	(16,253)
Nonoperating revenues (expenses)	
Consulting	(40,908)
Legal and professional fees	(144,377)
Interest income	<u>406</u>
Total nonoperating revenues (expenses)	(184,879)
Increase (Decrease) in Fund Equity	(201,132)
Fund Equity at Beginning of Year Before Adjustment	<u>243,784</u>
Prior Period Adjustment	(472,797)
Fund Equity (Deficit) at Beginning of Year After Adjustment	(229,013)
Fund Equity (Deficit) at End of Year	<u><u>\$ (430,145)</u></u>

*The accompanying notes are an integral part of these financial statements.*

Riverbend Water Resources District  
Statement of Cash Flows  
Proprietary Fund Types - Enterprise Funds  
Year Ended September 30, 2012

**Cash Flows From Operating Activities**

Cash received from customers	\$ 320,411
Cash paid to suppliers	(201,132)
Cash paid to suppliers (prior periods)	(44,267)
Cash received for future services in prior periods	(625,503)
<b>Net cash provided by (used in) operating activities</b>	<b>(550,491)</b>

**Cash Flows From Investing Activities**

<b>Net cash provided by (used in) investing activities</b>	<b>-</b>
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**Cash Flows From Capital and Related Financing Activities**

Cash received for future services in prior periods	625,503
<b>Net cash provided by (used in) financing activities</b>	<b>625,503</b>

**Net increase / (decrease) in cash and cash equivalents** 75,012

**Cash and cash equivalents, beginning of period** 243,785

**Cash and cash equivalents, end of period** **\$ 318,797**

**Reconciliation of Operating Income To Net Cash**

**Provided By (Used In) Operating Activities**

Operating loss	\$ (201,132)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Changes in assets and liabilities	
Increase (decrease) in accounts payable	123,438
Increase (decrease) in deferred revenue	(428,530)
Prior period impact of contractor payments	(44,267)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (550,491)</b>

**Additional disclosures**

Income taxes paid	\$ -
Interest expense paid	\$ -

*The accompanying notes are an integral part of these financial statements.*

# Riverbend Water Resources District

## Notes to Financial Statements

September 30, 2012

### 1. Summary of Significant Accounting Policies

#### Organization

The Riverbend Water Resources District (District) is a political subdivision of the State of Texas created with the passage of Texas Senate Bill 1223 in 2009, pursuant to the authority granted by Section 59, Article XVI of the Texas Constitution. This provision authorizes the legislature to create agencies to develop and conserve the natural resources of the State of Texas. In establishing the District, legislature delegated to it all the powers enumerated under Article 49 of the Texas Water Code along with the express authority to contract with other states and political subdivisions of other states of the United States in the performance of the District's lawful duties.

In 2011 the Texas Legislature re-organized composition of the District Board of Directors and appointed a temporary conservator with the passage of HB 3847. The temporary conservator served as the District's administrator until July 4, 2012. The current Board of Directors were appointed January 2012, drew lots to determine staggered terms, with three of the directors serving three-year terms and two of the directors serving four-year terms. The District Board consists of two directors appointed by the City of Texarkana, TX, one director appointed by the City of New Boston, one director appointed by TexAmericas, and one director appointed by multiple general law communities within the region.

The District currently serves thirteen (13) organizations including the cities of Annona, Atlanta, Avery, De Kalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, TX, Wake Village and TexAmericas. The organizations served by the District desire to procure certain services from the District and participate in the funding of the development of District projects in exchange for a specified fee and dollar-for-dollar credits towards participation in future water purchases should the District develop such capability, and the District is willing to provide such services and agree to such credits. Organizations served by the District agree to pay or dedicate to the District a fee of \$0.045 per 1,000 gallons of potable water processed through company facilities that the organization purchases from the City of Texarkana, Texas.

#### The Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board No. 14, "The Financial Reporting Entity" is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB No. 14 have been met.

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Financial Statement Presentation

These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

GASB 34 requires the use of an enterprise fund to account for any activity for which the government's policy is to establish activity fees or charges designed to recover the cost of providing services, including costs such as depreciation or debt service. Accordingly, the District began reporting as an enterprise fund, effective October 1, 2002, concurrent with its adoption of GASB 34.

Statement 34 requires the classification of fund equity into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt* - This component of fund equity consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - This component of fund equity consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District currently has no restricted fund equity.

*Unrestricted fund equity* - This component of fund equity consists of net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

#### Fund Balance Reserves

The District each year maintains a reserve for approximately three months of operating and maintenance expenditures.

#### Proprietary Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict Governmental Accounting Standards Board pronouncements, or were issued after November 30, 1989, and were limited to not-for-profit organizations. Proprietary Funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

#### **Budgets and Budgetary Accounting**

Each year the District prepares a budget for the fiscal year in accordance with generally accepted accounting principles. The District's budget is used as a policy document, a financial plan, an operations guide, and effective communications.

1. As a policy document - The District budget is used to outline major principles of policy being implemented by the District concerning financial matters.
2. The Board of Directors (Board) must approve any amendment to the expenditures account lien items or use of monies from the district money market account.
3. As a financial plan - Projections on revenue generation and expenses are defined in order to plan yearly financial activities.
4. As an operational guide - Guidelines have been discussed regarding the budget to assist policy makers and administrators to perpetuate policy and continuity of operation.
5. As a communication device - When the District budget is adopted, it serves as a form of communication in regard to the District's goals for the upcoming fiscal year.

#### **Cash**

Cash is recorded at cost that approximates market value. The District invests funds exclusively in high quality institutions and maintains the deposit amounts to the federally insured limit amount.

#### **Receivables**

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.



# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### **Fair Value of Financial Instruments**

The District's financial instruments consist primarily of cash, cash equivalents, accounts receivable, accounts payable and capitalized lease obligations. Management believes the fair values of these financial instruments approximate their carrying amounts due to the short-term nature of those instruments, other than capitalized lease obligations, which varies based on the current market interest rate.

### 2. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The District participates in the Texas Water Conservation Association Risk Management Fund to ensure the appropriate insurance has been acquired for the fund year in relation to District operations and assets in the event of a loss.

### 3. Contingencies

According to the District's board, there was no pending or threatened litigation involving the District at September 30, 2012, that was deemed to be material.

### 4. Recently Issued GASB Statements

#### **GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* (“GASB 52”)**

GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement, if appropriate.

#### **GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments* (“GASB 53”)**

GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement, if appropriate.

#### **GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”)**

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### **4. Recently Issued GASB Statements (continued)**

unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement, if appropriate.

### ***GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards (“GASB 56”)***

The objective of this Statement is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes *accounting* principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

### ***GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34 (“GASB 61”)***

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### 4. Recently Issued GASB Statements (continued)

entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

### ***GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (“GASB 62”)***

The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.”

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

### 5. Fair Value of Measurements

The “Fair Value Measurements and Disclosures” Topic of the FASB ASC (Topic 820) defines fair value as exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. These three levels of inputs used to measure fair value are as follows:

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### 5. Fair Value of Measurements (continued)

Level 1 – Quoted prices for in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level I, such as quote prices for similar assets and liabilities in active markets; Quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Assets Measured at Fair Value on a Recurring Basis as of September 30, 2012:

	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 318,797	\$ -	\$ -	\$ 318,797
Total	<u>\$ 318,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,797</u>

Assets Measured at Fair Value on a Non-Recurring Basis - We assess potential impairments to our long-lived assets, including land, equipment, buildings, and leasehold improvements, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the year ended September 30, 2012, we had no impairments related to these assets.

### 6. Deferred Revenue

Deferred revenue represents revenues collected but not earned as of September 30, 2012. This is primarily composed of funds paid by cities to Riverbend Water Resources District for future water credits should Riverbend develop a project with capability of providing potable water. Each one dollar in advances shall be exchanged for one dollar in credits that Riverbend shall accept for the purchase of water.

Should certain outside influences beyond Riverbend's control prohibit Riverbend in proceeding with the Project, Riverbend shall have no liability to refund any Advances made by the City. However, if Riverbend decides, within five (5) years of the effective date of this agreement, that it does not wish to develop, construct or operate the Project, other than the reasons stated in the preceding sentence, Riverbend shall repay Advances made by the City, together with any interest at the Federal Reserve Bank of New York prime rate minus one percent (1%) as posted on the date of the advance. Riverbend may make the payments over a ten (10) year period in equal annual installments. Upon the refund of all advances, Riverbend will have no further obligation to City.

There was no revenue recognized for the year ended September 30, 2012. All fees received are deferred until potable water is provided to the cities by Riverbend Water Resources District. Deferred revenue at September 30, 2012 was \$625,504.

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

### **7. Prior Period Adjustment**

The financial statements issued on 10/30/2013 of Riverbend Water Resources District as of September 30, 2012 include two (2) prior period adjustments to correct errors related to an overstated income account and an understated expense account. The prior period's (overstated) income was improperly recognized in the years it was received as opposed to correctly being matched with when the service is to be provided. The prior period's (understated) expenses were also expensed when paid as opposed to when the services were performed. The effect of the prior period adjustments was to decrease Fund Equity at the beginning of the year by \$472,797, and increase deferred revenue by \$428,530 and increase accounts payable \$44,267. These adjustments have been applied to the September 30, 2012 financial statements.

### **8. Subsequent Events**

Subsequent events have been evaluated through October 30, 2013, the report issuance date.

**SUPPLEMENTAL SCHEDULES**

Riverbend Water Resources District  
Statement of Revenues, Expenditures, and Changes in Fund Equity  
Budget and Actual - Proprietary Fund Types - Enterprise Funds  
Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
Revenues:			
Income	\$ -	\$ -	\$ -
Program service fees	-	-	-
Other	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:			
Accounting and audit fees	-	12,449	(12,449)
Bank service fees	-	429	(429)
Conferences and seminars	-	656	(656)
Insurance	-	2,329	(2,329)
Meeting expense	-	269	(269)
Office expense and supplies	-	121	(121)
Total operating expenditures	<u>-</u>	<u>16,253</u>	<u>(16,253)</u>
Nonoperating (income) and expenses			
Consulting	-	40,908	(40,908)
Legal and professional	-	144,377	(144,377)
Interest income	-	(406)	406
Total nonoperating income and expenses	<u>-</u>	<u>184,879</u>	<u>(184,879)</u>
Increase (decrease) in Fund Equity	<u>\$ -</u>	<u>\$ (201,132)</u>	<u>\$ (201,132)</u>

Riverbend Water Resources District  
Index of Supplemental Schedules Included within This Report  
Required by the Texas Commission on Environmental Quality  
Fiscal Year Ending September 30, 2012

	<u>Page</u>
Schedule of Services and Rates	N/A
Schedule of General Fund Expenditures	N/A
Schedule of Temporary Investments	N/A
Analysis of Taxes Receivable	N/A
Analysis of Changes in General Fixed Assets	N/A
General Long-Term Debt Service Requirements by Years	N/A
Analysis of Changes in General Long-Term Debt	N/A
Comparative Schedule of Revenues and Expenses- Five Year	22
Board Members, Key Personnel, and Consultants	23
N/A - Not applicable	



Riverbend Water Resources District  
Comparative Schedule of Revenues and Expenses - Five Years Ended  
September 30, 2012

	(Audited)	(Unaudited)					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>		
Operating revenues:							
Revenue	\$ -	\$ 28,530	\$ -	\$ -	\$ -		
 Operating expenditures:							
Accounting and audit fees	12,449	5,150	-	-	-		
Bank service fees	429	46	-	-	-		
Conferences and seminars	656	-	-	-	-		
Insurance	2,329	-	-	-	-		
Meeting expense	269	-	-	-	-		
Office expense and supplies	121	91	-	-	-		
Total operating expenditures:	<u>16,253</u>	<u>5,287</u>	-	-	-		
 Operating income (loss):	(16,253)	23,243	-	-	-		
 Non-operating (income) expenditures:							
Consulting	40,908	-	-	-	-		
Legal and professional	144,377	-	-	-	-		
Interest income	(406)	(38)	-	-	-		
Non-operating (income) loss:	<u>184,879</u>	<u>(38)</u>	-	-	-		
 Increase (decrease) in Fund Equity	<u>\$ (201,132)</u>	<u>\$ 23,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

Riverbend Water Resources District  
 Board Members, Key Personnel, and Consultants  
 September 30, 2012

District Mailing Address:  
 28 Morris Lane, Suite 118  
 Texarkana, TX 75503

District Business Telephone Number:  
 903-223-3905

Name and Address	Term Expires	Fees (Fiscal Year Ended September 30, 2012)	Expense Reimbursements (Fiscal Year Ended September 30, 2012)	Title at Year End	Resident of District
<u>Board Members:</u>					
Marshall C. Wood	January 06, 2016	\$ 0	\$ 0	Chairman	Riverbend
James Carlow	January 06, 2015	0	0	Vice Chairman	Riverbend
Kelly Mitchell	January 06, 2015	0	0	Treasurer	Riverbend
Fred Milton	January 06, 2016	0	0	Secretary	Riverbend
Sean Rommel	January 06, 2015	\$ 0	\$ 0	Board Member	Riverbend

Key Administrative Personnel:  
 Scott Albert, Executive Director, appointed May 2013