

RIVERBEND WATER RESOURCES DISTRICT

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2015**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF _____ }

_____ 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.

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Financial Section

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HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riverbend Water Resources District
Texarkana, Texas

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 includes 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 – 12 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 the 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Schedules required by the Texas Commission on Environmental Quality on pages 24 – 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Holliday, Lemons, & Cox, P.C.

February 1, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Riverbend Water Resources District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Riverbend Water District for the fiscal year ended September 30, 2015.

Financial Highlights

- In fiscal year 2015, the District's net position decreased 68%, or \$111,512, to \$52,003.
- The District's operating revenue decreased 5%, or \$12,657, to \$217,773.
- The District's expenses decreased 15%, or \$57,878, to \$329,288.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Riverbend Water Resources District's basic financial statements. The District's basic financial statements consist of fund financial statements and the notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements – The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The District's activities are functions that are intended to recover all or a significant portion of their costs through user fees and charges and are thus, considered as business-type activities.

The District, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses an enterprise fund, which is a type of proprietary fund, to account for its water and sewer operations. Although the District does not currently operate water and/or wastewater facilities, the District receives revenue from its participating members based on the number of gallons of water purchased by the entities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Riverbend Water Resources District, assets exceeded liabilities by \$52,003 as of September 30, 2015.

NET POSITION

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Current assets	\$ 118,713	191,715	(73,002)
Non-current assets	<u>1,294</u>	<u>-</u>	<u>1,294</u>
Total assets	<u>120,007</u>	<u>191,715</u>	<u>(71,708)</u>
Liabilities			
Current liabilities	68,004	23,700	44,304
Non-current liabilities	<u>-</u>	<u>4,500</u>	<u>(4,500)</u>
Total liabilities	<u>68,004</u>	<u>28,200</u>	<u>39,804</u>
Net position			
Net investment in capital assets	1,294		1,294
Unrestricted	<u>50,709</u>	<u>163,515</u>	<u>(112,806)</u>
Total net position	<u>\$ 52,003</u>	<u>163,515</u>	<u>(111,512)</u>

At the end of fiscal year 2015, the District showed a positive balance in its unrestricted net position of \$52,003, which may be utilized in future years.

CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenue			
Operating revenue	\$ 217,773	230,430	(12,657)
Expense			
Operating expenses	<u>329,288</u>	<u>387,166</u>	<u>(57,878)</u>
Operating income (loss)	(111,515)	(156,736)	45,221
Nonoperating revenues			
Interest income	<u>3</u>	<u>397</u>	<u>(394)</u>
Change in net position	(111,512)	(156,339)	44,827
Net position, beginning of year	<u>163,515</u>	<u>319,854</u>	<u>(156,339)</u>
Net position, end of year	<u>\$ 52,003</u>	<u>163,515</u>	<u>(111,512)</u>

The District had a decrease in net position during the year of \$111,512. The District's total operating revenues decreased by \$12,657 in fiscal year 2015 from the 2014 revenue. Charges for services for water fees received during fiscal year 2015 of \$202,773 were decreased from fiscal year 2014 of \$230,430 by \$27,657, or 12%. There was a decrease in intergovernmental revenue of \$25,000 for the funding received from Southwest Arkansas Water District for shared consulting expenses.

The District's total expenses decreased 15% or \$57,878 due primarily to a decrease in consulting and engineering services.

Economic Factors and Next Year's Budget

The District's economic position for 2014-2015 remained stable. The estimated gallons of water produced in the region for the year neared six billion gallons. As the region's water needs continue to grow, so shall the responsibilities and economic position of the District.

In 2014 the District approved a business plan which identified five primary goals.

1. Establish the organization and budget of the District.
2. Build a new regional water treatment plant.
3. Educate the public on role and purpose of the District.
4. Strengthen the District's presence within the region, state and federal arenas.
5. Facilitate legislation to create a bi-state district.

A primary goal of the District is to provide a sustainable water supply and regional water treatment infrastructure for water user groups within the area. In early 2014 the District engaged MWH Engineering for preparing a regional water treatment facilities master plan. The objective of the study is to prove a business case for regional water supply and treatment needs over the next fifty years, recommend a preferred plan, and demonstrate project viability to the District and its key stakeholders. The plan will provide sufficient technical and financial information to promote regional support for a project.

Also, in early 2014 the District retained MWH Engineering to conduct a preliminary review of water supply availability in Northeast Texas and Southwest Arkansas. The study was amended in July to also analyze the availability of water for diversion from the Red River in Arkansas. The goal of the study is to discover the availability of water supplies for local needs and potential significant supplies available for export to other regions.

Midyear, the District began to assess the possibility of acquiring water and wastewater utilities from TexAmericas Center. In August, the Board affirmed the acquisition of TexAmericas utilities was warranted and entered into a Letter of Intent with TexAmericas Center to negotiate the transfer of water and wastewater services.

In 2015, the District entered into a contract with TexAmericas Center to transfer water and wastewater services, known as the transfer of TAC wet utilities. In mid-December, the Texas Water Development Board approved the issuance of \$5 million in state bonds for the completion of the transfer. In addition, approval for the transfer of CCNs related to water and wastewater within the TAC footprint has been approved by PUC, as of late December 2015.

The initial focus of the District's 2015-2016 budget will be to continue efforts started last year in transferring the TAC wet utilities, preparing a regional water treatment facilities master plan and study the availability of water within the region. The impending transition of TexAmericas Center utilities in

early 2016 will substantially change the District's financial position and responsibilities. The District's budget could evolve from annual revenue collection of roughly \$200,000 to around \$3 million dollars by year-end. Most of the year will entail managing the transition of utility services from TexAmericas Center.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information included in this report or requests for additional financial information, should be addressed to Elizabeth Fazio, District's Executive Director/CEO at lizfazio@rwr.org, 3930 Galleria Oaks, Texarkana, Texas 75503 or by telephone at 903-223-3905.

Basic Financial Statements

RIVERBEND WATER RESOURCES DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

September 30, 2015

ASSETS

Current assets:

Cash	\$ 100,150
Accounts receivable	18,563
Total current assets	<u>118,713</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation)

Computer equipment	1,294
Total capital assets	<u>1,294</u>
Total noncurrent assets	<u>1,294</u>

TOTAL ASSETS

120,007

LIABILITIES

Accounts payable	3,004
Accrued termination benefits	65,000

TOTAL LIABILITIES

68,004

NET POSITION

Net investment in capital assets	1,294
Unrestricted	50,709

TOTAL NET POSITION

\$ 52,003

The notes to the financial statements are an integral part of this statement.

RIVERBEND WATER RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION ENTERPRISE FUND For the Year Ended September 30, 2015

OPERATING REVENUES

Charges for services	\$ 202,773
Consulting fees	15,000
Total operating revenues	<u>217,773</u>

OPERATING EXPENSES

Accounting and audit	19,451
Conference and seminars	1,023
Dues and memberships	1,280
Employee benefits	6,125
Insurance	2,574
Meetings	1,726
Office supplies	9,031
Payroll taxes	9,773
Rent	6,600
Salaries and wages	134,024
Termination benefits	65,000
Telephone	1,801
Consulting	27,000
Engineering services	20,991
Web design and maintenance	1,350
Legal and professional fees	19,936
Travel	1,535
Depreciation	68
Total operating expense	<u>329,288</u>

Operating income (loss) (111,515)

NONOPERATING REVENUES

Interest income	3
Total nonoperating revenues	<u>3</u>

Change in net position (111,512)

Net position, beginning of year 163,515

Net position, end of year \$ 52,003

The notes to the financial statements are an integral part of this statement.

RIVERBEND WATER RESOURCES DISTRICT

STATEMENT OF CASH FLOWS ENTERPRISE FUND For the Year Ended September 30, 2015

Cash flows from operating activities:	
Cash received from customers	\$ 205,066
Cash paid to suppliers	(211,892)
Cash paid to employees	(77,524)
Cash received from consulting	15,000
Net cash used by operating activities	<u>(69,350)</u>
Cash flows from financing activities:	
Acquisition of capital assets	<u>(1,362)</u>
Net cash used by financing activities	<u>(1,362)</u>
Cash flows from investing activities:	
Interest received	<u>3</u>
Net cash provided from investing activities	<u>3</u>
Net decrease in cash	(70,709)
Cash, beginning of year	<u>170,859</u>
Cash, end of year	<u>\$ 100,150</u>
 <u>Reconciliation of net income to net cash used by operating activities</u>	
Operating income (loss)	<u>\$ (111,515)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	68
(Increase) decrease in assets:	
Accounts receivable	2,293
Increase (decrease) in liabilities:	
Accounts payable	(16,696)
Accrued compensated absences	(8,500)
Accrued termination benefits	65,000
Total adjustments	<u>42,165</u>
Net cash used by operating activities	<u>\$ (69,350)</u>

The notes to the financial statements are an integral part of this statement.

RIVERBEND WATER RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

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 fifteen (15) organizations including the cities of Annona, Atlanta, Avery, De Kalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, TX, Wake Village and TexAmericas Center, Red River and Bowie Counties. 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 Lake Texarkana Water Supply Corporation facilities that each organization purchases from the City of Texarkana, Texas.

B. Measurement Focus and Basis of Accounting

For financial reporting purposes, the District reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position.

The accrual basis of accounting is utilized by the District for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are incurred. The Statement of Revenue, Expenses, and Changes of Net Position present increases (income) and decreases (expenses) in District net position.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues include service charges and related fees for acting as the designee and local sponsor

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

and agent for the member organizations regarding certain matters and supervising performance of agreements between the member organizations and the City of Texarkana, Texas as well as revenue received from the Southwest Arkansas Water District (SWAWD) for shared consulting expenses based on the agreement between the District and SWAWD dated March 24, 2014 and amended June 26, 2014. Operating expenses include all necessary costs related to the performance and administration of the District's ongoing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash

Cash and cash equivalents are considered to be cash on hand and cash on deposit.

3. 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.

4. Capital Assets

Capital assets are stated at cost. Assets are recorded as property, plant, and equipment when valued at \$1,000 or more and have an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Office furniture and equipment	5 years
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5. Compensated Absences

The District's policy is to permit the employee to accumulate earned vacation leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employee for the amount owed. The employee earns 15 days of vacation each year, or 120 hours. The unused vacation can be carried forward from year to year and will be paid out upon termination unless the employee resigns. The employee also receives 10 days each year of sick time. Unused sick time does not carry forward from year to year and is not payable upon termination. No accrual for sick time is reported.

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

6. Budgetary Policies

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

7. Net Position

Unrestricted net position is the net amount of the assets and liabilities that are not included in the determination of the net investment in capital assets or restricted net position. Sometimes the District may fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2 – CASH

The District’s cash balance as of September 30, 2015 was \$100,150.

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The District’s demand deposit account, and time and saving deposit accounts with financial institutions are each insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. As of September 30, 2015, the District’s deposits were adequately covered by the FDIC.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single financial institution. The District does not have written policy covering concentration of credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

The District’s accounts receivable as of September 30, 2015 was \$18,563. The District considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is recorded. 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.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

	<u>October 1,</u> <u>2014</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>September 30,</u> <u>2015</u>
Computer equipment	\$ -	1,362	-	1,362
Total capital assets	-	1,362	-	1,362
Less accumulated depreciation for:				
Computer equipment	-	(68)	-	(68)
Total accumulated depreciation	-	(68)	-	(68)
Total capital assets, net	<u>\$ -</u>	<u>1,294</u>	<u>-</u>	<u>1,294</u>

Total depreciation expense of \$68 was included in operating expenses.

NOTE 4 – COMPENSATED ABSENCES

Changes to compensated absences for the fiscal year ending September 30, 2015, were as follows:

	<u>Balance</u> <u>October 1,</u> <u>2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Forfeited</u>	<u>Balance</u> <u>September 30,</u> <u>2015</u>
Compensated absences	\$ 8,500	7,500		(16,000)	-

NOTE 5 – TERMINATION BENEFITS

The District offers a targeted severance program which provides qualified employees with six months' salary upon termination of employment. There was one employee affected, and the net cost of termination benefits for fiscal year ending September 30, 2015 was \$65,000.

NOTE 6 – UNRESTRICTED NET POSITION

The District's unrestricted net position as of September 30, 2015 was \$50,709.

NOTE 7 – 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; and other claims of various natures. The District participates in the Texas Water Conservation Association Risk Management Fund (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. The District has workers compensation coverage, general liability, errors and omissions liability, and automobile insurance through the Fund. The District maintains general liability coverage of \$1,000,000, errors and omissions liability coverage of \$1,000,000 per claim and \$1,000,000 annual

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

aggregate, and automobile insurance coverage of \$1,000,000. The District has a deductible of \$1,000 under the policies. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 8 – CONTRACT WITH TEXAMERICAS CENTER

The District entered into a contract to acquire the wet utilities facilities from TexAmericas Center (TAC) for \$10,000. The District will defease the existing bonds that TexAmericas Center had issued and will issue new bonds in the amounts of \$8,045,000 and \$5,000,000, respectively. Riverbend will pay TAC a 5% franchise fee on net utility revenues generated from facilities on TAC property. The District will lease certain buildings for \$1 each year and will provide future water credits to TAC of approximately \$35,000 for each year. TAC will provide a loan of up to \$900,000 as needed by the District. The date of the transfer is uncertain at this time, but expected to be completed in the Spring of 2016.

NOTE 9 – CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Water fees

Operating revenue for the District represent fees paid by the member organizations for future water credits should the District develop a project with the capability of providing potable water. Each one dollar in advances may be exchanged for one dollar in credits that the District will accept for the purchase of water.

Should certain outside influences beyond the District's control prohibit the District in proceeding with the project, the District will have no liability to refund any advances made by the member organizations. However, if the District decides, within five (5) years of the effective date of the agreement with the member organizations, that it does not wish to develop, construct or operate the project, other than the reasons stated in the preceding sentence, the District will repay advances made by the member organizations, 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. The District management believes that the likelihood that the advances paid by the member organizations will be refunded is remotely possible. The amount of advances paid by each member organization by year is as follows:

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

<i>Member Organization</i>	<i>2015</i>	<i>2014</i>	<i>Prior Years</i>	<i>Total</i>
City of Annona	\$ 427	427	764	1,618
City of Atlanta	14,879	14,879	7,440	37,198
City of Avery	1,207	1,207	7,847	10,261
City of DeKalb	4,109	4,109	7,922	16,140
City of Hooks	7,236	7,236	20,860	35,332
City of Leary	735	1,241		1,976
City of Maud	2,521	2,521	7,059	12,101
City of Nash	4,074	3,813	1,811	9,698
City of New Boston	19,026	19,026	41,055	79,107
City of Redwater	3,689	5,037	3,472	12,198
City of Texarkana, TX	123,706	123,706	462,219	709,631
City of Wake Village	8,809	8,809	23,755	41,373
Red River County				-
TexAmericas Center	12,355	13,418	34,453	60,226
Unknown			6,846	6,846
Total	\$ 202,773	205,430	625,503	1,033,706

NOTE 10 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the District. The statements which might impact the District are as follows:

Statement No. 72, *Fair Value Measurement and Application*, issued February 2015 will be effective for the year ending September 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

NOTE 11 – SUBSEQUENT EVENTS

In mid-December 2015, the Texas Water Development Board approved the issuance of \$5 million in state bonds for the completion of the transfer. In addition, approval for the transfer of CCNs related to water and wastewater within the TAC footprint has been approved by PUC, as of late December 2015.

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through February 1, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE ENTERPRISE FUND For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 204,000	201,000	202,773	1,773
Consulting fees		30,000	15,000	(15,000)
Intergovernmental revenue	21,474			-
Total operating revenues	<u>225,474</u>	<u>231,000</u>	<u>217,773</u>	<u>(13,227)</u>
OPERATING EXPENSES				
Accounting and audit	15,000	18,500	19,451	(951)
Bank service fees	100	100		100
Car allowance	7,200			-
Conference and seminars	3,000	3,000	1,023	1,977
Dues and memberships	1,000	1,400	1,280	120
Employee benefits	16,780	16,780	6,125	10,655
Insurance	2,800	8,900	2,574	6,326
Meetings	4,500	4,500	1,726	2,774
Miscellaneous	2,500	2,500		2,500
Office supplies	4,500	8,000	9,031	(1,031)
Payroll taxes	10,500	12,000	9,773	2,227
Rent	6,600	7,000	6,600	400
Salaries and wages	130,000	151,000	134,024	16,976
Termination benefits			65,000	(65,000)
Telephone	3,200	3,200	1,801	1,399
Consulting	48,000	35,000	27,000	8,000
Engineering services	90,000	90,000	20,991	69,009
Web design and maintenance	2,000	2,000	1,350	650
Legal and professional fees	20,000	21,000	19,936	1,064
Travel	9,000	9,000	1,535	7,465
Depreciation			68	(68)
Total operating expenses	<u>376,680</u>	<u>393,880</u>	<u>329,288</u>	<u>64,592</u>
Operating income (loss)	<u>(151,206)</u>	<u>(162,880)</u>	<u>(111,515)</u>	<u>51,365</u>
NONOPERATING REVENUES				
Interest income	-	-	3	3
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Change in net position	(151,206)	(162,880)	(111,512)	51,368
Net position, beginning of year	<u>163,515</u>	<u>163,515</u>	<u>163,515</u>	<u>-</u>
Net position, end of year	<u>\$ 12,309</u>	<u>635</u>	<u>52,003</u>	<u>51,368</u>

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION SCHEDULE OF ENTERPRISE FUND EXPENSES For the Year Ended September 30, 2015

Personnel Expenses (including benefits)*	\$ 214,922
Professional Fees:	
Auditing	9,500
Legal	19,936
Engineering	20,991
Consulting	35,289
Contracted Services:	
Bookkeeping	1,662
Administrative Expenses:	
Office Supplies	9,031
Insurance	2,574
Other Administrative Expenses	<u>15,383</u>
TOTAL EXPENSES	<u><u>\$ 329,288</u></u>

* Number of persons employed by the District: 2 Full-Time 0 Part-Time

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS ENDED Last Five Years

	Amounts				
	(Audited) 2015	(Audited) 2014	(Audited) 2013	(Audited) 2012	(Unaudited) 2011
OPERATING REVENUES					
Charges for services	\$ 202,773	\$ 205,430	\$ 65,000	\$ -	\$ 28,530
Consulting fees	15,000	-	-	-	-
Intergovernmental revenue	-	25,000	-	-	-
Total operating revenues	<u>217,773</u>	<u>230,430</u>	<u>65,000</u>	<u>-</u>	<u>28,530</u>
OPERATING EXPENSES					
Accounting and audit	19,451	19,550	8,750	12,449	5,150
Bank service fees	-	20	59	429	46
Car allowance	-	7,200	3,300	-	-
Conferences and seminars	1,023	2,951	128	656	-
Dues and memberships	1,280	893	303	-	-
Employee benefits	6,125	8,658	3,672	-	-
Insurance	2,574	2,607	2,862	2,329	-
Meetings	1,726	3,536	2,288	269	-
Miscellaneous	-	1,190	-	-	-
Office supplies	9,031	3,973	4,396	121	91
Payroll taxes	9,773	10,438	4,220	-	-
Reimbursement	-	-	2,659	-	-
Rent	6,600	6,600	3,300	-	-
Salaries and wages	134,024	138,500	55,167	-	-
Termination benefits	65,000	-	-	-	-
Telephone	1,801	2,757	1,336	-	-
Consulting	27,000	52,825	32,460	40,908	-
Engineering services	20,991	111,117	-	-	-
Web design and maintenance	1,350	2,610	-	-	-
Legal and professional fees	19,936	8,976	46,140	144,377	-
Travel	1,535	2,765	4,794	-	-
Depreciation	68	-	-	-	-
Total operating expense	<u>329,288</u>	<u>387,166</u>	<u>175,834</u>	<u>201,538</u>	<u>5,287</u>
Operating income (loss)	<u>(111,515)</u>	<u>(156,736)</u>	<u>(110,834)</u>	<u>(201,538)</u>	<u>23,243</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	3	397	362	406	38
Total nonoperating revenues (expenses)	<u>3</u>	<u>397</u>	<u>362</u>	<u>406</u>	<u>38</u>
Change in net position	<u>\$ (111,512)</u>	<u>\$ (156,339)</u>	<u>\$ (110,472)</u>	<u>\$ (201,132)</u>	<u>\$ 23,281</u>

Note: Fiscal year 2011 was the first year of operations for the District.

Percent of Fund Total Revenues

<u>(Audited)</u> <u>2015</u>	<u>(Audited)</u> <u>2014</u>	<u>(Audited)</u> <u>2013</u>	<u>(Audited)</u> <u>2012</u>	<u>(Unaudited)</u> <u>2011</u>
93.1 %	89.2 %	100.0 %	- %	100.0 %
6.9	-	-	-	-
10.8	-	-	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>-</u>	<u>100.0</u>
8.9	8.5	13.5	-	18.1
-	0.0	0.1	-	0.2
-	3.1	5.1	-	-
0.5	1.3	0.2	-	-
0.6	0.4	0.5	-	-
2.8	3.8	5.6	-	-
1.2	1.1	4.4	-	-
0.8	1.5	3.5	-	-
-	0.5	-	-	-
4.1	1.7	6.8	-	0.3
4.5	4.5	6.5	-	-
-	-	4.1	-	-
3.0	2.9	5.1	-	-
61.5	60.1	84.9	-	-
29.8	-	-	-	-
0.8	1.2	2.1	-	-
12.4	22.9	50	-	-
9.6	48.2	-	-	-
0.6	1.1	-	-	-
9.2	3.9	71	-	-
0.7	1.2	7	-	-
0.0	-	-	-	-
<u>151.2</u>	<u>168.0</u>	<u>270.5</u>	<u>-</u>	<u>18.5</u>
<u>(51.2)</u>	<u>(68.0)</u>	<u>(170.5)</u>	<u>-</u>	<u>81.5</u>
0.0	0.2	0.6	-	0.1
<u>0.0</u>	<u>0.2</u>	<u>0.6</u>	<u>-</u>	<u>0.1</u>
<u>(51.2) %</u>	<u>(67.8) %</u>	<u>(170.0) %</u>	<u>- %</u>	<u>81.6 %</u>

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION

LIST OF BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS

For the Year Ended September 30, 2015

Complete District Mailing Address: 3930 Galleria Oaks, Texarkana, TX 75503

District Business Telephone Number: (903) 223-3905

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): 2/10/2015

Limit on Fees of Office that a Director may receive during a fiscal year: \$0

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* (FYE Date)	Expense Reimburse- ments (FYE Date)	Title at Year End
Board Members:				
Kelly Mitchell	(Appointed) 01/15-12/18	\$ -	\$ -	Chairman
Sean Rommel	(Appointed) 01/15-12/18	\$ -	\$ -	Vice Chairman
Marshall Wood	(Appointed) 01/12-01/16	\$ -	\$ -	Secretary
Fred Milton	(Appointed) 01/12-01/16	\$ -	\$ -	Treasurer
Jim Green	(Appointed) 01/15-12/18	\$ -	\$ -	At-Large
Key Administrative Personnel:				
Scott L. Albert	5/14/2013	\$ 130,024	\$ 828	Executive Director
Elizabeth Fazio	8/13/2015	\$ 4,000	\$ 503	Chief Operating Officer
Consultants:				
MWH Americas, Inc.	10/25/2011	\$ 18,748		Engineers
CLB Engineers, Inc.	5/15/2014	\$ 2,243		Engineers
Holliday, Lemons & Cox, P.C.	10/16/2014	\$ 9,500		Auditor
Cross Oak Group	3/4/2013	\$ 12,000		Consultant
Larry D. Meyers	8/13/2015	\$ 25,000		Consultant

* Fees of Office are the amounts actually paid to a director during the district's fiscal year.

OVERALL INTERNAL CONTROLS AND COMPLIANCE

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HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Riverbend Water Resources District
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Riverbend Water Resources District (District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Holliday, Lemons, & Cox P.C.

February 1, 2016

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