



**RIVERBEND RESOLUTION NO. 20170329-01**

**APPROVING THE FY 2015-2016 ANNUAL AUDIT  
PERFORMED BY HOLLIDAY, LEMONS & COX, PC**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas; and

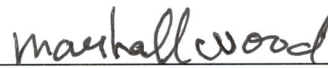
**WHEREAS**, Riverbend Water Resources District has conducted an annual year-end audit for FY 2015-2016, including a full-year audit for the General Funds at Texana and Texar Federal Credit Union, as well as a partial-year audit for Wet Utilities' Funds at State Bank of DeKalb; and

**WHEREAS**, Holliday, Lemons & Cox, PC provided the necessary accounting and financial services to fully perform these services; and

**WHEREAS**, Riverbend Water Resources District accepts and approves this annual year-end audit for the FY 2015-2016;

**NOW, THEREFORE, BE IT RESOLVED** that the Riverbend Water Resources District approves the FY 2015-2016 Annual Audit performed by Holliday, Lemons & Cox, PC for distribution.

**PASSED and APPROVED this 29th day of March, 2017**

  
\_\_\_\_\_  
Marshall Wood, Vice President

ATTEST:

  
\_\_\_\_\_  
Kelly Mitchell, Secretary

Attached: FY 2015-2016 Annual Audit for Riverbend Water Resources District

ANNUAL FILING AFFADAVIT

THE STATE OF TEXAS }  
COUNTY OF Bowie }

I, Elizabeth Fazio, of the  
(Name of Authorized District Representative)  
Riverband Water Resources District  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 29th day of March, 2017 its annual financial report for the fiscal year of period ended FY 2015-2016 and that copies of the annual financial report have been filed in the district office, located at 228 Texas Avenue A, New Boston, TX 75570.

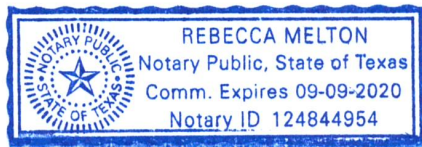
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

March 29, 2017  
Date

[Signature]  
Signature of District Representative  
Elizabeth Fazio, ED/CEO  
Printed Name & Title of above District Representative

Sworn to and subscribed to before me this 29th day of March, 2017.

(Seal)



[Signature]  
Signature of Notary

My Commission Expires On: 9-9-2020  
Notary Public in the State of Texas

**RIVERBEND WATER  
RESOURCES DISTRICT  
FINANCIAL STATEMENTS**

**For the Year Ended  
September 30, 2016**

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# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }  
COUNTY OF \_\_\_\_\_ }

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

(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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# 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 (Riverbend), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Riverbend'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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DIVISION FOR CPA FIRMS, PCPS/THE AICPA ALLIANCE FOR CPA FIRMS

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 Riverbend, as of September 30, 2016, 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 – 13 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 Riverbend's basic financial statements. The Supplemental Schedules required by the Texas Commission on Environmental Quality on pages 32 – 44 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 March 6, 2017, on our consideration of Riverbend'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 Riverbend's internal control over financial reporting and compliance.



March 6, 2017

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## **Financial Section**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Riverbend Water Resources District (Riverbend), we offer readers of Riverbend's financial statements this narrative overview and analysis of the financial activities of Riverbend Water Resources District for the fiscal year ended September 30, 2016.

### Financial Highlights

- In fiscal year 2016, Riverbend's combined net position increased \$8,496,687, to \$8,548,690. The significant contributing factor was the gain from the acquisition of the wet utilities systems from TexAmericas Center on May 1, 2016 for \$8,236,939.
- Riverbend's operating revenue increased by \$1,353,895 to a total for fiscal year 2016 of \$1,571,668. The Administrative fund's operating revenue increased by \$229,398, primarily due to the supplemental contributions received from member entities. The Wet Utilities fund had operating revenue for \$1,124,497 for the five months of activity, since it was acquired on May 1, 2016.
- Riverbend's combined operating expenses increased by \$1,008,672 to a total for fiscal year 2016 of \$1,337,960. The Administrative fund's operating expenses decreased \$41,130 and the Wet Utilities fund had operating expenses of \$1,049,802 for the five months for activity from May 1, 2016 through September 30, 2016.
- Riverbend issued revenue bonds related to the acquisition of the wet utilities systems in the amount of \$11,610,000 on May 1, 2016. The bonds mature in October 2045 and have varying interest rates from .8% to 4.56%.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to Riverbend Water Resources District's basic financial statements. Riverbend'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 Riverbend's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of Riverbend'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 Riverbend is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how Riverbend'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. Riverbend'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.

Riverbend, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Riverbend uses two enterprise funds. The Administrative fund accounts for the revenue from its participating member entities based on the number of gallons of water purchased by the entities and well as supplemental contributions, as necessary, and consulting fees. The Wet Utility fund, which is the second enterprise fund, is used to account for the water and wastewater operations acquired in May 2016.

## 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 Riverbend Water Resources District, assets exceeded liabilities by \$8,548,690 as of September 30, 2016. The largest portion of Riverbend's net position are the amounts related to the unspent bond proceeds and debt service reserve requirements on the outstanding bonded debt including restricted for construction, debt service reserves and planning and acquisition in totaling \$8,940,821.

### NET POSITION

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 9,954,677	118,713
Noncurrent assets	<u>11,850,841</u>	<u>1,294</u>
Total assets	<u>21,805,518</u>	<u>120,007</u>
Liabilities		
Current liabilities	1,855,527	68,004
Noncurrent liabilities	<u>11,401,301</u>	<u></u>
Total liabilities	<u>13,256,828</u>	<u>68,004</u>
Net position		
Investment in capital assets	(238,796)	1,294
Restricted	8,940,821	
Unrestricted	<u>(153,335)</u>	<u>50,709</u>
Total net position	<u>\$ 8,548,690</u>	<u>52,003</u>

Riverbend had an increase in net position during the year of \$8,496,687. Riverbend's total operating revenues increased by \$1,353,895 in fiscal year 2016 from the 2015 revenue. Charges for services for member entities fees for fiscal year 2016 of \$185,661 were decreased from fiscal year 2015 of \$202,773 by \$17,112, or 8%. Riverbend began charging a supplemental contribution to its member entities during the current fiscal year. The total supplemental contribution income for 2016 was \$236,138. During the current fiscal year Riverbend began operating the wet utilities systems in May 2016 with operating revenues of \$1,124,497 for the five months May through September 2016. Riverbend's combined operating expenses increased by \$1,008,672 for a fiscal year 2016 total of \$1,337,960. The Administrative fund's operating expenses decreased \$41,130 and the Wet Utilities fund had operating expenses of \$1,049,802 for the five months for activity from May 1, 2016 through September 30, 2016.

### CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Charges for services	\$ 1,320,363	202,773
Supplemental member contributions	236,138	
Other	15,167	15,000
Total operating revenue	<u>1,571,668</u>	<u>217,773</u>
Operating expenses		
Administrative	287,886	329,220
Wet Utilities	851,392	
Depreciation	198,682	68
Total operating expenses	<u>1,337,960</u>	<u>329,288</u>
Operating income	233,708	(111,515)
Nonoperating revenues/expenses	(990)	3
Capital contributions	27,030	
Acquisition of wet utility systems	<u>8,236,939</u>	
Change in net position	8,496,687	(111,512)
Net position, beginning of year	<u>52,003</u>	<u>163,515</u>
Net position, end of year	<u>\$ 8,548,690</u>	<u>52,003</u>

### Capital Assets

Riverbend's capital assets as of September 30, 2016 amount to \$11,850,841. The capital assets include computer equipment, equipment, utility system, intangible assets, and construction in process. The major capital asset events during the current fiscal year was the acquisition of the wet utility systems from TexAmericas Center , including equipment, utility systems, intangible assets and construction in progress \$11,253,033.

### CAPITAL ASSETS, NET OF DEPRECIATION

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 1,022	1,294
Equipment	73,403	
Utility system	10,512,552	
Intangible assets	252,130	
Construction in progress	1,011,734	
Total capital assets	<u>\$ 11,850,841</u>	<u>1,294</u>

## **Debt Administration**

During the current fiscal year, Riverbend issued Riverbend Water Resources Riverbend Water and Waste Water Revenue Bonds Taxable Series 2016A for \$4,925,000 and Riverbend Water Resources District Water and Wastewater Revenue Bonds Taxable Series 2016B for \$6,685,000. Total bonded debt at September 30, 2016 totaled \$11,610,000.

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

The District's economic position for 2015-2016 improved substantially with the addition of Wet Utilities that were purchased on May 1, 2016. This acquisition positioned the District as both a planning entity and a water and wastewater provider for the region. As the region's water needs continue to grow, so shall the responsibilities and economic position of the District.

In 2016 the District updated its Strategic Plan for 2016-2018, identifying its many accomplishments and expanding its six primary goals as follows:

1. Maintain the organization and budget of the District;
2. Build a new water infrastructure, addressing current needs and/or acquiring water rights;
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 and strengthen relationships with interstate partnerships; and
6. Support the Red River Army Depot.

Overall, the District's mission is to provide a collaborative and unified governing structure for regional water resources in Northeast Texas that represents a variety of stakeholders' interests and balances local ownership and distribution, while maintaining the primary purpose of protecting and managing the region's most precious natural resource: water. Moreover, the District remains focused on providing a sustainable water supply and the development of regional water treatment infrastructure for water user groups within the area. On September 21, 2016, Region D recommended that the District be added as a defined Water User Group to the 2021 State Water Plan.

In June 2016, the District approved an approximately \$500,000 contract with Susan Roth and Consulting, including Corrollo Engineers, David Meeseey, and other engineers, for evaluation of the region's current and future water demands, as well as current and future water availability. It is the District's hope that this "Regional Water Master Plan" will build upon the various studies<sup>1</sup> previously conducted over the last decade, creating a comprehensive, data-driven roadmap for the implementation of water infrastructure needs not only today but well into the future. Since the state water planning process focuses on a fifty-year planning cycle, this Master Plan will be designed to supplement the Region D planning process.

With the acquisition of the Wet Utilities, the District also approved issuance of its first bonds totaling nearly \$12 million. Approximately \$5 million of those funds were used to pay-off existing bonds related to the debt for the domestic water treatment facility built in 2013, another \$6 million for capital improvement projects on the Red River Army Depot complex, and \$1 million for planning an acquisition of future water and wastewater projects. From May until the end of the fiscal year, the District had completed the design

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<sup>1</sup> In 2014, the District engaged MWH Engineering for preparing a regional water treatment facilities master plan. The objective of this study was 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. Also in 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.

of two 500,000 gallon above ground water storage tanks and had nearly completed an almost 9 mile pipeline replacement \$2.3 million project.

Aside from regional planning and operation of the Wet Utilities, the District has also undertaken tremendous responsibility in acting as the agent for the City of Texarkana, Texas and all of its other member entities, in accordance with Schedule A of the Interlocal Agreements with each of the aforementioned. In this role, the District has met with the United States Army Corps of Engineers (USACE) on numerous occasions and is helping to move implementation of the Ultimate Rule Curve in the 1968 Permanent Contract for water storage in Lake Wright Patman Reservoir.

The initial focus of the District's 2016-2017 budget will be to continue efforts preparing the Regional Water Master Plan that will offer solutions to meet the current and future water infrastructure needs of the region; to conduct a Retail Water Rates Study to support the implementation of the Regional Water Master; to begin construction of major infrastructure projects; and to continue implementation of the Ultimate Rule Curve permanent contract treatment facilities master plan and study the availability of water within the region. The District's now roughly \$3.5 million budget is designed to provide the support necessary to operate the army depot facilities and stabilize the overall operations of water planning and development for the regions.

#### **Request for Information**

This financial report is designed to provide a general overview of Riverbend'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 Hale, Riverbend's Executive Director/CEO at [lizfazio@rwr.org](mailto:lizfazio@rwr.org), 228 Texas Ave, Suite A, New Boston, Texas 75570 or by telephone at 903-831-0091.

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## **Basic Financial Statements**

# RIVERBEND WATER RESOURCES DISTRICT

## STATEMENT OF NET POSITION

### ENTERPRISE FUNDS

September 30, 2016

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 130,641	1,309,806	1,440,447
Accounts receivable	37,153	318,861	356,014
Due from other fund	42,913		42,913
Restricted assets:			
Cash restricted for construction - bond proceeds		6,016,814	6,016,814
Cash restricted for bonded debt reserves		1,074,297	1,074,297
Cash restricted for planning & acquisition - bond proceeds		1,000,973	1,000,973
Prepaid expenses		23,219	23,219
Total current assets	<u>210,707</u>	<u>9,743,970</u>	<u>9,954,677</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Computer equipment	1,022		1,022
Equipment		73,403	73,403
Utility system		10,512,572	10,512,572
Intangible assets		252,130	252,130
Construction in progress		1,011,734	1,011,734
Total capital assets	<u>1,022</u>	<u>11,849,839</u>	<u>11,850,861</u>
Total noncurrent assets	<u>1,022</u>	<u>11,849,839</u>	<u>11,850,861</u>
<b>TOTAL ASSETS</b>	<u>211,729</u>	<u>21,593,809</u>	<u>21,805,538</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	563	461,764	462,327
Payroll liabilities	150	16,255	16,405
Due to other fund		42,913	42,913
Accrued interest payable		182,882	182,882
Accrued compensated absences - current		16,000	16,000
Note payable		900,000	900,000
Revenue bonds payable - current		235,000	235,000
Total current liabilities	<u>713</u>	<u>1,854,814</u>	<u>1,855,527</u>
Non current liabilities:			
Accrued compensated absences - long term		26,301	26,301
Revenue bonds payable - long term		11,375,000	11,375,000
Total non current liabilities	<u>-</u>	<u>11,401,301</u>	<u>11,401,301</u>
<b>TOTAL LIABILITIES</b>	<u>713</u>	<u>13,256,115</u>	<u>13,256,828</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,022	339,818	340,840
Restricted for bond reserves		1,074,297	1,074,297
Restricted for construction		6,016,814	6,016,814
Restricted for planning and acquisition		1,000,973	1,000,973
Unrestricted	209,994	(94,208)	115,786
<b>TOTAL NET POSITION</b>	<u>\$ 211,016</u>	<u>8,337,694</u>	<u>8,548,710</u>

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 FUNDS For the Year Ended September 30, 2016

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services:			
Member fees	\$ 196,033		196,033
Army volumetric charge		975,717	975,717
Army water supply charge		79,368	79,368
Commercial & residential charge		69,245	69,245
Supplemental member contributions	236,138		236,138
Consulting fees	15,000		15,000
Other revenue		167	167
Total operating revenues	<u>447,171</u>	<u>1,124,497</u>	<u>1,571,668</u>
<b>OPERATING EXPENSES</b>			
Accounting & audit	32,200	3,752	35,952
Analyticals		47,914	47,914
Consulting	160,885		160,885
Employee benefits		72,764	72,764
Employee repair & maintenance		8,386	8,386
Franchise fees		33,477	33,477
Insurance	2,846	4,382	7,228
Legal & professional fees	12,050	2,235	14,285
Miscellaneous	1,012	2,373	3,385
Office supplies and expense	11,590	13,829	25,419
Payroll taxes	1,295	25,856	27,151
Rent	3,303		3,303
Repairs		81,031	81,031
Salaries and wages	54,333	308,627	362,960
Start up costs		30,810	30,810
Supplies & materials		66,764	66,764
Temporary labor		10,240	10,240
Training & training	6,993	4,433	11,426
Uniforms		41,421	41,421
Utilities	1,379	7,595	8,974
Waste disposal		14,662	14,662
Water purchase cost		70,821	70,821
Depreciation	272	198,410	198,682
Total operating expense	<u>288,158</u>	<u>1,049,782</u>	<u>1,337,940</u>
Operating income	<u>159,013</u>	<u>74,715</u>	<u>233,728</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Facility charges		467,438	467,438
Interest income		16,717	16,717
Interest expense		(182,882)	(182,882)
Bond issuance costs		(302,263)	(302,263)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(990)</u>	<u>(990)</u>
Income before capital contributions and special items	159,013	73,725	232,738
Capital contributions		27,030	27,030
Acquisition of wet utilities facility		8,236,939	8,236,939
Change in net position	159,013	8,337,694	8,496,707
Net position, beginning of year	52,003	-	52,003
Net position, end of year	<u>\$ 211,016</u>	<u>8,337,694</u>	<u>8,548,710</u>

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

# RIVERBEND WATER RESOURCES DISTRICT

## STATEMENT OF CASH FLOWS

### ENTERPRISE FUNDS

For the Year Ended September 30, 2016

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 413,583	805,636	1,219,219
Cash paid to suppliers	(282,259)	(60,840)	(343,099)
Cash paid to employees	(115,833)	(250,516)	(366,349)
Cash received from consulting	15,000		15,000
Net cash provided by operating activities	30,491	494,280	524,771
<b>Cash flows from financing activities:</b>			
Receipt of facility charges		467,438	467,438
Acquisition and construction of capital assets		(12,021,221)	(12,021,221)
Proceeds on bonds issued		11,307,737	11,307,737
Proceeds on note payable		900,000	900,000
Proceeds from acquisition of wet utilities facility		8,236,939	8,236,939
Net cash provided by financing activities	-	8,890,893	8,890,893
<b>Cash flows from investing activities:</b>			
Interest received		16,717	16,717
Net cash provided by investing activities	-	16,717	16,717
Net increase in cash	30,491	9,401,890	9,432,381
Cash, beginning of year	100,150		100,150
Cash, end of year	\$ 130,641	\$ 9,401,890	\$ 9,532,531
Cash consists of:			
Unrestricted cash	130,641	1,309,806	1,440,447
Cash restricted for construction - bond proceeds		6,016,814	6,016,814
Cash restricted for bonded debt purposes		1,074,297	1,074,297
Cash restricted for planning & acquisition - bond proceeds		1,000,973	1,000,973
Total cash	130,641	9,401,890	9,532,531
<b><u>Reconciliation of net income to net cash provided by operating activities</u></b>			
Operating income	\$ 159,013	\$ 74,715	\$ 233,728
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation expense	272	198,410	198,682
(Increase) decrease in assets:			
Accounts receivable	(18,590)	(318,861)	(337,451)
Prepaid expenses		(23,219)	(23,219)
Interfund receivables	(42,913)		(42,913)
Increase (decrease) in liabilities:			
Accounts payable	(2,291)	462,211	459,920
Accrued payroll		15,810	15,810
Interfund payables		42,913	42,913
Accrued compensated absences		42,301	42,301
Accrued termination benefits	(65,000)		(65,000)
Total adjustments	(128,522)	419,565	291,043
Net cash provided by operating activities	\$ 30,491	\$ 494,280	\$ 524,771

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

# RIVERBEND WATER RESOURCES DISTRICT

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## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization and Operations of the Reporting Entity

The Riverbend Water Resources District (Riverbend) 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 Riverbend, 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 Riverbend's lawful duties.

In 2011 the Texas Legislature re-organized composition of the Riverbend Board of Directors and appointed a temporary conservator with the passage of HB 3847. The temporary conservator served as Riverbend'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 Riverbend Board consists of two directors appointed by the City of Texarkana, Texas, 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.

Riverbend currently serves sixteen (16) organizations including the cities of Annona, Atlanta, Avery, DeKalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, Texas, Wake Village and TexAmericas Center, Bowie, Cass and Red River Counties. The organizations served by Riverbend desire to procure certain services from Riverbend and participate in the funding of the development of Riverbend projects in exchange for a specified fee and dollar-for-dollar credits towards participation in future water purchases should Riverbend develop such capability, and Riverbend is willing to provide such services and agree to such credits. Organizations served by Riverbend agree to pay or dedicate to Riverbend 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.

On May 1, 2016 Riverbend acquired and began operating the water, wastewater and industrial wastewater systems formerly owned and operated by TexAmericas Center. Riverbend provides water, domestic wastewater and industrial wastewater services to the Red River Army Depot, the TexAmericas Industrial Park and well as various commercial and residential customers.

#### B. Measurement Focus and Basis of Accounting

For financial reporting purposes, Riverbend 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 Riverbend for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are

# RIVERBEND WATER RESOURCES DISTRICT

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## *Notes to Financial Statements continued.*

incurred. The Statement of Revenue, Expenses, and Changes of Net Position present increases (income) and decreases (expenses) in Riverbend net position.

Riverbend 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 charges for service, member contributions for acting as the designee, local sponsor 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 consulting revenue. Operating expenses include all necessary costs related to the performance and administration of Riverbend's ongoing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Riverbend maintained two Enterprise Funds during the year. The Administrative Fund accounts for the member contributions and expenses related to the activities as the agent for the member organizations regarding certain matters and supervising performance of agreements between the member organizations and the City of Texarkana, Texas.

The Wet Utilities Fund is the major Enterprise fund of Riverbend. The Wet Utilities Fund accounts for the operations of the wet utilities systems and facilities providing water, wastewater and industrial wastewater to its customers.

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

### **C. Assets, Liabilities and Net Position**

#### **1. Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand and cash on deposit. For purposes of the statement of cash flows, Riverbend considers cash in bank, money market and savings accounts as cash and cash equivalents.

#### **2. Receivables and payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds (i.e. the current portion of interfund loans) or "advances to/from other funds (i.e. the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds".

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.

#### **3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

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### 4. Restricted Assets

Some of Riverbend's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are cash or other assets whose use in whole or in part is restricted for specific purposes bound by virtue of contractual agreements, legal requirements or enabling legislation.

Certain proceeds of revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

### 5. 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 Riverbend are depreciated using the straight-line method over the following estimated useful lives:

Computer equipment	5 years
Equipment	5-10 years
Utility system	20-60 years
Intangible assets	20-60 years

### 6. Compensated Absences

Riverbend's policy is to permit the employee to accumulate earned vacation leave. Accumulated vacation time is accrued at year-end to account for Riverbend'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 for employees that have been employed for six (6) months and worked 1,040 hours. The employee also earns 12 days of sick time each year, or 96 hours. Unused sick time can be carried forward from year to year but is not payable upon termination. No accrual for sick time is reported.

### 7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

### 8. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of resources restricted to capital acquisition and construction.

During 2016, Riverbend recognized capital contributions of \$27,030 in the Wet Utility Fund that consisted of a fee charged to the Army for the construction of capital assets.



# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

### 9. 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 Riverbend 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 Riverbend's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 10. 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.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Riverbend 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.

## **NOTE 3 – CASH**

### Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, Riverbend's deposits may not be returned to it. Riverbend does not have a deposit policy for custodial credit risk. Riverbend's demand deposit accounts, 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. Of Riverbend's \$9,567,695 of categorizable deposits, \$408,881 was uninsured and uncollateralized at September 30, 2016.

### Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of Riverbend's investment in a single financial institution.

Concentrations of credit risk of over 5% are as follows at September 30, 2016:

<u>Type</u>	<u>Financial Institution</u>	<u>Fair Value</u>	<u>% of Total</u>
Cash	State Bank of DeKalb	\$8,908,881	93.08%
Cash	Bank of Texas	530,761	5.57%

# RIVERBEND WATER RESOURCES DISTRICT

*Notes to Financial Statements continued.*

## NOTE 4 – ACCOUNTS RECEIVABLE

Riverbend's accounts receivable as of September 30, 2016 was \$356,014. Riverbend 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 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance September 30, 2016</i>
Capital assets, not being depreciated:				
Construction in progress	\$ -	1,011,734		1,011,734
Capital assets, being depreciated				
Computer equipment	1,362			1,362
Equipment		78,049		78,049
Utility systems		10,703,662		10,703,662
Intangible assets		254,784		254,784
Total capital assets, being depreciated	1,362	11,036,495	-	11,037,857
Less accumulated depreciation for:				
Computer equipment	(68)	(272)		(340)
Equipment		(4,646)		(4,646)
Utility systems		(191,110)		(191,110)
Intangible assets		(2,654)		(2,654)
Total accumulated depreciation	(68)	(198,682)	-	(198,750)
Total capital assets, being depreciated	1,294	10,837,813	-	10,839,107
Total capital assets, net	\$ 1,294	11,849,547	-	11,850,841

Total depreciation expense of \$198,682 was included in operating expenses.

## NOTE 6 – NOTE PAYABLE

In April 2016 a promissory note of was funded by TexAmericas Center as requested by Riverbend up to but not exceeding the sum of \$900,000 to be repaid on September 30, 2016 unless Riverbend provided a modification and extension agreement to TexAmericas Center. The modification and extension agreement extends the due date of the note to April 30, 2017.

The amount due on the note payable at September 30, 2016 was \$900,000 and is included as a current liability.

# RIVERBEND WATER RESOURCES DISTRICT

*Notes to Financial Statements continued.*

## NOTE 7 – LONG-TERM OBLIGATIONS

Long-term debt at September 30, 2016 is comprised of the following:

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding Sept. 30, 2016</u>
Riverbend Water Resources District Water and Wastewater System Revenue Bonds Taxable Series 2016A -- Due serially in varying amounts from October 2017 through October 2045	.8 - 4.56%	\$ 4,925,000	\$ 4,925,000
Riverbend Water Resources District Water and Wastewater System Revenue Bonds Taxable Series 2016B -- Due serially varying amounts from October 2017 through October 2030	4.24%	<u>6,685,000</u>	<u>6,685,000</u>
Total bonded indebtedness		<u>\$ 11,610,000</u>	11,610,000
Less current maturities			<u>(235,000)</u>
Total long-term debt			<u>\$ 11,375,000</u>

Riverbend has pledged future water, wastewater and industrial wastewater customer revenues, net of specific operating expenses to repay \$11,610,000 in water and wastewater system revenue bonds issued in 2016. Proceeds from the bonds provided financing for the water and wastewater facility acquisition and improvements. The bonds are payable solely from customer net revenues and are payable through 2045. Average annual principal and interest payments on the bonds are expected to require approximately 21% of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,874,000. There were no principal or interest payments made during the fiscal year ended September 30, 2016.

Annual requirements to amortize Riverbend's revenue bonds outstanding at September 30, 2016, including interest payments are as follows:

<u>Requirements Year Ending September 30</u>	<u>Water and Wastewater System Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 235,000	219,458	454,458
2018	650,000	469,999	1,119,999
2019	680,000	445,509	1,125,509
2020	710,000	419,357	1,129,357
2021	740,000	391,542	1,131,542
2022-2026	2,875,000	1,539,407	4,414,407
2027-2031	2,640,000	1,544,201	4,184,201
2032-2036	810,000	627,591	1,437,591
2037-2041	1,010,000	429,324	1,439,324
2042-2045	1,260,000	177,612	1,437,612
	<u>\$ 11,610,000</u>	<u>6,264,000</u>	<u>17,874,000</u>

# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

The following is a summary of the changes in long-term obligations for the year ended September 30, 2016:

	<i>Beginning Balance October 1, 2015</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance Sept. 30, 2016</i>	<i>Due Within One Year</i>
Revenue bonds	\$ -	11,610,000		11,610,000	235,000
Accrued compensated absences	-	58,123	(15,822)	42,301	16,000
Note payable	-	900,000		900,000	900,000
Total	<u>\$ -</u>	<u>12,568,123</u>	<u>(15,822)</u>	<u>12,552,301</u>	<u>1,151,000</u>

The note payable was issued by TexAmericas Center at a 3.50% per annum interest rate that accrues on the unpaid balance from date of advancement, May 1, 2016, until maturity. The note was issued to support wet utility operations as part of the acquisition of the wet utility operations from TexAmericas Center. The note was due and originally payable on September 30, 2016, however, the due date was extended to April 30, 2017.

### **NOTE 8 – RETIREMENT PLAN**

Riverbend sponsors a defined contribution plan, Riverbend Water Resources District 457 Plan, for those employees that elect to participate. The plan is a Government Plan as defined in Internal Revenue Code Section 457(b) and is administered through InWest Retirement Solutions. All employees of Riverbend are eligible to elect participation in the plan. Employees may contribute, by salary reduction, a percentage as specified in the Internal Revenue Code. Riverbend matches the employee contributions on a discretionary basis. Employees are eligible for employer contribution after 6 months of service. The current policy matches up to 12.5% of employee contributions based on the following rates: 2 for 1 up to the first 4% of contributions; 1 for 1 of 5-7% of contributions; .5 to 1 of 8-10% of contributions. Employees are vested in employer contributions after 6 months.

Employer and employee contributions to the plan as of September 30, 2016 totaled \$23,104 and \$22,792, respectively.

### **NOTE 9 – RISK MANAGEMENT**

Riverbend 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. Riverbend 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. Riverbend has workers compensation coverage, general liability, errors and omissions liability, and automobile insurance through the Fund. Riverbend maintains general liability coverage of \$10,000,000, errors and omissions liability coverage of \$10,000,000 per claim and \$10,000,000 annual aggregate, and automobile insurance coverage of \$10,000,000. Riverbend 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.

# RIVERBEND WATER RESOURCES DISTRICT

*Notes to Financial Statements continued.*

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## **NOTE 10 – INTERFUND BALANCES AND ACTIVITY**

During the fiscal year ended September 30, 2016, a payable of \$42,913 was recorded by the Wet Utilities Fund to the Administrative Fund with an offsetting receivable recorded by the Administrative Fund. This activity represents the portion of salaries expense that is provided by the Administrative Fund to the Wet Utilities Fund.

## **NOTE 11 – ACQUISITION OF WET UTILITIES OPERATIONS**

On May 26, 2015, Riverbend and TexAmericas Center entered into an Agreement for Purchase and Sale of Assets and Assignment and Assumption of Contract Rights, providing for the sale of the water, wastewater and industrial wastewater systems that were owned and operated by TexAmericas Center. On April 25, 2016 the Riverbend Water Resources District Board of Directors issued Resolution No. 20160425-02 to close the sale of the water, wastewater and industrial wastewater systems from TexAmericas Center. The closing date of the transfer was April 28, 2016 and the effective date of the transfer of the wet utility systems, its operations and its employees was May 1, 2016. Riverbend paid \$10,000 for the purchase of the wet utility operations from TexAmericas Center.

The water, wastewater and industrial wastewater operations were acquired as a transfer of operations from TexAmericas Center totaling \$8,236,939.

Riverbend received capital assets with a net book value of \$11,026,495 from TexAmericas Center as part of the transfer of the wet utility operations.

As part of the purchase agreement, TexAmericas Center funded a promissory note for \$900,000.

Riverbend issued \$4,925,000 Riverbend Water Resources District Revenue Bonds Taxable Series 2016A and \$6,685,000 Riverbend Water Resources District Revenue Bonds Taxable Series 2016B (total of \$11,610,000) which were utilized in part to redeem the TexAmericas Center bonds.

TexAmericas Center retained seven-twelfths (7/12) of the profits from the operation of the wet utility system budgeted by TexAmericas Center for FY 2015-2016. The remainder of the profits, or \$347,520, was transferred to Riverbend in September 2016 and reported as part of the transfer of operations.

## **NOTE 12 – WATER SUPPLY AND WASTE WATER TREATMENT CONTRACT WITH RED RIVER ARMY DEPOT**

### *Volumetric Charges and Operating Revenues*

Two different volumetric rates agreed to in the contract with the Army multiplied by the Army's stipulated annual usage expressed as a percentage of the entire rate base create set payments that produce operating revenue for the system. These two rates are referred to as the Fixed Volumetric Charge and Variable Volumetric Charge. The Fixed Volumetric Charge is subject to adjustment every 5 years based on the weighted average annual usage by the Army expressed as a percentage of the entire rate base. Both the Fixed and Variable Volumetric Charges ratchet upwards in years 5, 10, and 15 of the contract.

# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

### *Facility Charge and Capital Asset Recovery*

Long-term capitalization of the assets is accomplished through an annual payment that is derived by taking the net present value of a pre-defined 20-year capital budget and dividing the amount into 20 equal annual payments. The annual payment is referred to as the system Facility Charge. Because future capital requirements are known to change and because actual expenditures in a given year may be different than the budget, the contract terms required an accounting for these changes. Every 5 years, the parties may renegotiate the Facility Charge to address these deviations in the program and to adjust for implied discount rates within the model and other issues. The net proceeds from all Facility Charges collected are separated in restricted accounts on the statement of net position by Riverbend and managed consistent with generally accepted municipal investment practices.

### **NOTE 13 – LEASE AGREEMENT WITH TEXAMERICAS CENTER**

Riverbend has three contracts with TexAmericas Center to rent office space for \$1 for the term of the contract. The buildings rented are building 164 with 4300 square feet, building 167 with 2,400 square feet and the west wing of building 228A with 3,562 square feet. The initial term began May 1, 2016 and terminates April 1, 2017 with options to extend the term for nine additional one year periods. Riverbend will pay additional rent equal to the rental square feet times an initial rent of \$2.50 per square foot for Building 164, \$1 per square foot for building 164, and \$5 per square foot for building 228A for the first year. The additional rent is earned upon the first day of each term and extended term of the lease and is payable by Riverbend in future credits for water or wastewater services redeemable by TAC or its assignees from Riverbend from the current Wet utility systems, any future additional or expansions and form any future new water treatment plant or facilities owned by Riverbend. TAC may request application of accrued water or sewer credits from the current wet utility system prior to the completion of any future water treatment facilities by Riverbend. In order to redeem any accrue water or wastewater credits, TAC will give Riverbend notice for credits to be redeemed in the following budget year. TAC is not permitted to redeem more than twenty percent of the then-current balance of TAC's accrued water and wastewater credits arising from the additional rent during any ninety day period. The requests are subject to Riverbend's budgetary ability to meet the request.

The total amount of future credits accrued by TexAmericas Center at September 30, 2016 was \$30,960.

### **NOTE 14 – FRANCHISE FEES**

A franchise fee of three percent (3%) of the gross revenues generated from the operation of any utility system owned by Riverbend which is located on any real property owned by TexAmericas Center is due to TexAmericas Center on a monthly basis. The amount of the franchise fee to be paid is based on the amount of billed charges for the preceding month. During the fiscal year ended September 30, 2016 Riverbend paid franchise fees of \$33,477.

### **NOTE 15 – CONTINGENCIES**

#### **Litigation**

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

# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

### **Water fees**

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

In May 2016 Riverbend acquired the equipment and facilities to allow the capability of providing potable water to member entities and other residential and commercial customers. The amount of advances paid by each member organization by year is as follows:

<i><b>Member Organization</b></i>	<i><b>2016</b></i>	<i><b>2015</b></i>	<i><b>Prior Years</b></i>	<i><b>Total</b></i>
City of Annona	\$ 297	427	1,191	1,915
City of Atlanta	13,548	14,879	22,316	50,743
City of Avery	1,022	1,207	9,054	11,283
City of DeKalb	3,091	4,109	12,031	19,231
City of Hooks	6,167	7,236	28,096	41,499
City of Leary	778	735	1,241	2,754
City of Maud	2,187	2,521	9,580	14,288
City of Nash	4,188	4,074	5,624	13,886
City of New Boston	15,607	19,026	60,081	94,714
City of Redwater	4,925	3,689	8,509	17,123
City of Texarkana, TX	122,970	123,706	585,925	832,601
City of Wake Village	7,512	8,809	32,564	48,885
Red River County				-
TexAmericas Center	10,372	12,355	47,871	70,598
Wet Utilities Fund	3,369			3,369
Unknown			6,846	6,846
Total	<u>\$ 196,033</u>	<u>202,773</u>	<u>830,929</u>	<u>1,229,735</u>

### **NOTE 16 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

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



# RIVERBEND WATER RESOURCES DISTRICT

## *Notes to Financial Statements continued.*

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Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015 will be effective for the year ending September 30, 2017. This Statement replaces Statements 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple –Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirement for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet specified criteria detailed in the Statement. The Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 will be effective for the fiscal year ending September 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

Statement No. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016 will be effective for the fiscal year ending September 30, 2018. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement should recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government should recognize revenue when the resources become applicable to the reporting period.

Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*, issued in March 2016, will be effective for the fiscal year ending September 30, 2017. This Statement addresses issues that have been raised with respect to Statements No. 67, 68 and 73 regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

# RIVERBEND WATER RESOURCES DISTRICT

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## *Notes to Financial Statements continued.*

Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, will be effective for the fiscal year ending September 30, 2019. An asset retirement obligation is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The recognition should occur when the liability is both incurred and reasonable estimable.

### **NOTE 17 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of Riverbend has evaluated events and transactions for potential recognition or disclosure through March 6, 2017, the date the financial statements were available to be issued.

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## **SUPPLEMENTARY INFORMATION**

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE ADMINISTRATIVE FUND For the Year Ended September 30, 2016

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 200,400	200,400	196,033	(4,367)
Supplemental member contributions	242,467	242,467	236,138	(6,329)
Consulting fees	15,000	15,000	15,000	-
Total operating revenues	<u>457,867</u>	<u>457,867</u>	<u>447,171</u>	<u>(10,696)</u>
<b>OPERATING EXPENSES</b>				
Accounting and audit	15,500	32,000	32,200	(200)
Consulting	201,000	170,304	160,885	9,419
Insurance	11,154	11,154	2,846	8,308
Legal & professional fees	7,500	13,000	12,050	950
Miscellaneous	6,189		1,012	(1,012)
Office supplies & expense	1,800	11,885	11,590	295
Payroll taxes	14,344	14,344	1,295	13,049
Rent	6,600	6,600	3,303	3,297
Salaries & wages	186,400	186,400	54,333	132,067
Travel & training	6,000	9,000	6,993	2,007
Utilities	2,280	2,280	1,379	901
Depreciation			272	(272)
Total operating expenses	<u>458,767</u>	<u>456,967</u>	<u>288,158</u>	<u>168,809</u>
Change in net position	(900)	900	159,013	(179,505)
Net position, beginning of year	<u>52,003</u>	<u>52,003</u>	<u>52,003</u>	<u>-</u>
Net position, end of year	<u>\$ 51,103</u>	<u>52,903</u>	<u>211,016</u>	<u>(179,505)</u>

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE WET UTILITIES FUND For the Year Ended September 30, 2016

	<i>Original Budget</i>	<i>Annual Final Budget</i>	<i>Five (5) Months Actual</i>	<i>Variance with Final Budget</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,758,571	2,758,571	1,124,330	(1,634,241)
Other revenue			167	167
Total operating revenues	<u>2,758,571</u>	<u>2,758,571</u>	<u>1,124,497</u>	<u>(1,634,074)</u>
<b>OPERATING EXPENSES</b>				
Accounting & audit	30,000	30,000	3,752	26,248
Analytics	155,000	155,000	47,914	107,086
Consulting	45,000	45,000		45,000
Employee benefits	224,402	224,402	72,764	151,638
Franchise fees			33,477	(33,477)
Insurance	75,000	75,000	4,382	70,618
Legal & professional fees	22,000	22,000	2,235	19,765
Miscellaneous	1,000	1,000	2,373	(1,373)
Office supplies & expense	30,701	30,701	13,829	16,872
Payroll taxes	66,133	66,133	25,856	40,277
Permits	56,000	56,000		56,000
Rent	16,000	16,000		16,000
Repair & maintenance - building	1,500	1,500		1,500
Repair & maintenance - equipment	38,000	38,000	8,386	29,614
Repair & maintenance - utility system	357,000	357,000	81,031	275,969
Salaries and wages	766,796	766,796	308,627	458,169
Start up costs			30,810	(30,810)
Supplies & materials	176,200	176,200	66,764	109,436
Temporary labor	30,000	30,000	10,240	19,760
Travel & training	21,200	21,200	4,433	16,767
Uniforms	11,160	11,160	2,369	8,791
Utilities	171,000	171,000	46,647	124,353
Waste disposal	56,000	56,000	14,662	41,338
Water purchase cost	220,473	220,473	70,821	149,652
Depreciation			198,410	(198,410)
Total operating expenses	<u>2,570,565</u>	<u>2,570,565</u>	<u>1,049,782</u>	<u>1,520,783</u>
Operating income	<u>188,006</u>	<u>188,006</u>	<u>74,715</u>	<u>(113,291)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Facility charges	1,230,131	1,230,131	467,438	(762,693)
Interest income	20,000	20,000	16,717	(3,283)
Interest expense	(468,002)	(468,002)	(182,882)	285,120
Bond issuance costs			(302,263)	(302,263)
Principal payments	(775,000)	(775,000)		775,000
Total nonoperating revenues (expenses)	<u>7,129</u>	<u>7,129</u>	<u>(990)</u>	<u>(8,119)</u>
Income before capital contributions	<u>195,135</u>	<u>195,135</u>	<u>73,725</u>	<u>(121,410)</u>
Capital contributions			27,030	27,030
Acquisition of wet utilities facility			8,236,939	8,236,939
Change in net position	<u>195,135</u>	<u>195,135</u>	<u>8,337,694</u>	<u>8,142,559</u>
Net position, beginning of year				-
Net position, end of year	<u>\$ 195,135</u>	<u>195,135</u>	<u>8,337,694</u>	<u>8,142,559</u>

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES For the Year Ended September 30, 2016

### 1. Services Provided by the District during the Fiscal Year:

- |   |  |                                     |
|---|--|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water  | <input checked="" type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Drainage   |
| <input checked="" type="checkbox"/> Retail Wastewater   | <input checked="" type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation   | <input checked="" type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage  | <input type="checkbox"/> Flood Control                   | <input type="checkbox"/> Roads      |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) |  |                                     |
| <input type="checkbox"/> Other (specify): _____   |  |                                     |

### 2. Retail Service Providers

#### a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
WATER:	\$ _____	SEE	_____	\$ _____.	_____ to _____
WASTEWATER:	\$ _____	ATTACHED	_____	\$ _____.	_____ to _____
SURCHARGE:	\$ _____	SCHEDULE	_____	\$ _____.	_____ to _____

District employs winter averaging for wastewater usage? Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$ \_\_\_\_\_ Wastewater: \$ \_\_\_\_\_

#### b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	x 1.0	_____
≤ 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1 1/2"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	77		_____
Total Wastewater	_____	69	x 1.0	_____

# RIVERBEND WATER RESOURCES DISTRICT

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## SUPPLEMENTARY INFORMATION

### SCHEDULE OF SERVICES AND RATES (CONTINUED)

For the Year Ended September 30, 2016

#### 3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	100,942 ,000	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	100,492 ,000	_____ 100% _____

#### 4. Location of District:

County(ies) in which the District is located: Bowie, Cass, Red River

Is the District entirely within one county? Yes ☐ No ☒

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: \_\_\_\_\_

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely ☐ Partly ☒ Not at all ☐

ETJs in which the District is located: See above

Are board members appointed by an office outside the district: Yes ☐ No ☒

If Yes, by whom? Member Cities select.

# RIVERBEND WATER RESOURCES DISTRICT

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## SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES (CONTINUED) For the Year Ended September 30, 2016

### WATER/SEWER RATE SCHEDULE

	<i><u>Commercial</u></i> <i><u>water/sewer</u></i>	<i><u>Private</u></i> <i><u>water/sewer</u></i>	<i><u>Private 1"</u></i> <i><u>sprinkler</u></i>
Standard water rate (\$/1000)	\$ 2.80	2.85	2.80
Standard sewer rate (\$/1000)	3.50	4.10	
Facility charge			
Water	1.35	0.55	0.55
Sewer	1.35	0.55	
Total charge (\$/1000)	9.00	8.05	3.35
Fixed minimum charge	20.00	10.00	5.00
Water rate	6.50	3.58	4.15
Sewer rate	8.10	5.06	
Facility charge water	2.70	0.68	0.85
Facility charge wastewater	2.70	0.68	



# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION SCHEDULE OF ENTERPRISE FUND EXPENSES For the Year Ended September 30, 2016

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>Personnel Expenses</b> (including benefits)*	\$ 55,628	417,487	473,115
<b>Professional Fees:</b>			
Accounting	19,625	3,752	23,377
Auditing	9,500		9,500
Legal	12,050	2,235	14,285
Consulting	160,885		160,885
<b>Purchased Services for Resale:</b>			
Water purchase cost		70,821	70,821
<b>Contracted Services:</b>			
Bookkeeping	3,075		3,075
<b>Utilities</b>	1,379	46,647	48,026
<b>Repairs and Maintenance</b>			
Analytics		47,914	47,914
Repairs & maintenance - equipment		8,386	8,386
Repairs & maintenance - utility system		81,031	81,031
Supplies and materials		66,764	66,764
Waste disposal		14,662	14,662
<b>Administrative Expenses:</b>			
Office supplies & expense	11,590	13,829	25,419
Insurance	2,846	4,382	7,228
Franchise fees		33,477	33,477
Other administrative expenses	11,308	39,985	51,293
<b>Other Expenditures</b>			
Depreciation	272	198,410	198,682
<b>TOTAL EXPENSES</b>	<u>\$ 288,158</u>	<u>1,049,782</u>	<u>1,337,940</u>

\* Number of persons employed by the District: 13 Full-Time 0 Part-Time

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS

#### SERIES 2016A - BY YEARS

For the Year Ended September 30, 2016

<i>Due During Fiscal Year Ending</i>	<i>Series 2016A</i>		
	<i>Principal Due 10/15</i>	<i>Interest Due 04/15, 10/15</i>	<i>Total</i>
2016	\$ -	\$ -	\$ -
2017	200,000	87,971	287,971
2018	100,000	188,039	288,039
2019	100,000	186,869	286,869
2020	105,000	185,309	290,309
2021	105,000	183,146	288,146
2022	105,000	180,773	285,773
2023	110,000	178,064	288,064
2024	115,000	175,061	290,061
2025	115,000	171,680	286,680
2026	120,000	168,149	288,149
2027	125,000	164,321	289,321
2028	130,000	160,109	290,109
2029	130,000	155,377	285,377
2030	140,000	150,320	290,320
2031	145,000	144,874	289,874
2032	150,000	139,233	289,233
2033	155,000	132,618	287,618
2034	160,000	125,783	285,783
2035	170,000	118,727	288,727
2036	175,000	111,230	286,230
2037	185,000	103,512	288,512
2038	195,000	95,076	290,076
2039	200,000	86,184	286,184
2040	210,000	77,064	287,064
2041	220,000	67,488	287,488
2042	230,000	57,456	287,456
2043	240,000	46,968	286,968
2044	250,000	36,024	286,024
2045	265,000	24,624	289,624
2046	275,000	12,540	287,540
	<u>\$ 4,925,000</u>	<u>\$ 3,714,589</u>	<u>\$ 8,639,589</u>

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS

#### SERIES 2016B - BY YEARS

For the Year Ended September 30, 2016

<i>Due During Fiscal Year Ending</i>	<i>Series 2016B</i>		
	<i>Principal Due 10/15</i>	<i>Interest Due 04/15, 10/15</i>	<i>Total</i>
2016	\$ -	\$ -	\$ -
2017	35,000	131,487	166,487
2018	550,000	281,960	831,960
2019	580,000	258,640	838,640
2020	605,000	234,048	839,048
2021	635,000	208,396	843,396
2022	670,000	181,472	851,472
2023	705,000	153,064	858,064
2024	295,000	123,172	418,172
2025	315,000	110,664	425,664
2026	325,000	97,308	422,308
2027	300,000	236,400	536,400
2028	340,000	200,400	540,400
2029	390,000	159,600	549,600
2030	440,000	112,800	552,800
2031	500,000	60,000	560,000
	<u>\$ 6,685,000</u>	<u>\$ 2,549,411</u>	<u>\$ 9,234,411</u>

# RIVERBEND WATER RESOURCES DISTRICT

**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS**  
**ALL BONDED DEBT SERIES - BY YEARS**  
**For the Year Ended September 30, 2016**

<i>Due During Fiscal Year Ending</i>	<i>Annual Requirements for All Series</i>		
	<i>Principal Due 10/15</i>	<i>Interest Due 04/15, 10/15</i>	<i>Total</i>
2016	\$ -	\$ -	\$ -
2017	235,000	219,458	454,458
2018	650,000	469,999	1,119,999
2019	680,000	445,509	1,125,509
2020	710,000	419,357	1,129,357
2021	740,000	391,542	1,131,542
2022	775,000	362,245	1,137,245
2023	815,000	331,128	1,146,128
2024	410,000	298,233	708,233
2025	430,000	282,344	712,344
2026	445,000	265,457	710,457
2027	425,000	400,721	825,721
2028	470,000	360,509	830,509
2029	520,000	314,977	834,977
2030	580,000	263,120	843,120
2031	645,000	204,874	849,874
2032	150,000	139,233	289,233
2033	155,000	132,618	287,618
2034	160,000	125,783	285,783
2035	170,000	118,727	288,727
2036	175,000	111,230	286,230
2037	185,000	103,512	288,512
2038	195,000	95,076	290,076
2039	200,000	86,184	286,184
2040	210,000	77,064	287,064
2041	220,000	67,488	287,488
2042	230,000	57,456	287,456
2043	240,000	46,968	286,968
2044	250,000	36,024	286,024
2045	265,000	24,624	289,624
2046	275,000	12,540	287,540
	<u>\$11,610,000</u>	<u>\$ 6,264,000</u>	<u>\$ 17,874,000</u>

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGE IN LONG-TERM BONDED DEBT For the Year Ended September 30, 2016

	<i>Bond Issues</i>		<i>Total</i>
	<i>Series 2016A</i>	<i>Series 2016B</i>	
Interest rate	.8 - 4.56%	4.24%	
Dates interest payable	4/15; 10/15	4/15; 10/15	
Maturity dates	10/15/2045	10/15/2030	
Beginning bonds outstanding	\$ -	-	-
Bonds sold during the fiscal year	4,925,000	6,685,000	11,610,000
Bonds retired during the fiscal year			
Ending Bonds Outstanding	<u>\$ 4,925,000</u>	<u>6,685,000</u>	<u>11,610,000</u>
Interest paid during the fiscal year	\$ -	-	-

Paying agent's name and city		
Series 2016A	BOK Financial	Tulsa, OK
Series 2016B	Regions Bank	Birmingham, AL

Bond authority:	<u>Revenue Bonds</u>
Amount authorized	\$ 11,610,000
Amount issued	11,610,000
Remaining to be issued	-

Debt Service restricted cash balances as of September 30, 2016: \$ 1,074,297

Cash restricted for construction as of September 30, 2016: \$ 6,016,814

Unspent bond funds as of September 30, 2016: \$ 1,000,974

Average annual debt service payment (principal and interest)  
for remaining term of all debt: \$ 595,800

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION

### COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS ENDED

Last Five Years

	Amounts				
	(Audited) 2016	(Audited) 2015	(Audited) 2014	(Audited) 2013	(Audited) 2012
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,320,363	\$ 202,773	\$ 205,430	\$ 65,000	\$ -
Supplemental member contributions	236,138				
Consulting fees	15,000	15,000			
Intergovernmental revenue			25,000		
Other revenue	167				
Total operating revenues	<u>1,571,668</u>	<u>217,773</u>	<u>230,430</u>	<u>65,000</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Accounting & audit	35,952	19,451	19,550	8,750	12,449
Analyticals	47,914				
Bank service fees			20	59	429
Car allowance			7,200	3,300	
Conferences & seminars		1,023	2,951	128	656
Consulting	160,885	27,000	52,825	32,460	40,908
Dues and memberships		1,280	893	303	
Employee benefits	72,764	6,125	8,658	3,672	
Engineering services		20,991	111,117		
Franchise fees	33,477				
Insurance	7,228	2,574	2,607	2,862	2,329
Legal and professional fees	14,285	19,936	8,976	46,140	144,377
Meetings		1,726	3,536	2,288	269
Miscellaneous	3,385		1,190		
Office supplies & expense	25,419	9,031	3,973	4,396	121
Payroll taxes	27,151	9,773	10,438	4,220	
Rent	3,303	6,600	6,600	3,300	
Repairs & maintenance - equipment	8,386				
Repairs & maintenance - utility system	81,031				
Salaries and wages	362,960	134,024	138,500	55,167	
Start up costs	30,810				
Supplies & materials	66,764				
Temporary labor	10,240				
Travel & training	11,426	1,535	2,765	4,794	
Uniforms	2,369				
Utilities	48,026				
Waste disposal	14,662				
Water purchase cost	70,821				
Reimbursement				2,659	
Termination benefits		65,000			
Telephone		1,801	2,757	1,336	
Web design and maintenance		1,350	2,610		
Depreciation	198,682	68			
Total operating expense	<u>1,337,940</u>	<u>329,288</u>	<u>387,166</u>	<u>175,834</u>	<u>201,538</u>
Operating income (loss)	<u>233,728</u>	<u>(111,515)</u>	<u>(156,736)</u>	<u>(110,834)</u>	<u>(201,538)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Facility charges	467,438				
Interest income	16,717	3	397	362	406
Interest expense	(182,882)				
Bond issuance costs	(302,263)				
Total nonoperating revenues (expenses)	<u>(990)</u>	<u>3</u>	<u>397</u>	<u>362</u>	<u>406</u>
Income before capital contributions	232,738	(111,512)	(156,339)	(110,472)	(201,132)
Capital contributions	27,030				
Acquisition of wet utilities facility	8,236,939				
Change in net position	<u>\$ 8,496,707</u>	<u>\$(111,512)</u>	<u>\$ (156,339)</u>	<u>\$(110,472)</u>	<u>\$ (201,132)</u>

Percent of Fund Total Revenues				
(Audited) 2016	(Audited) 2015	(Audited) 2014	(Audited) 2013	(Audited) 2012
84.0 %	93.1 %	89.2 %	100.0 %	%
15.0	6.9	10.8		
1.0				
0.0				
100.0	100.0	100.0	100.0	-
2.3	8.9	8.5	13.5	
3.0				
-	-	0.0	0.1	
-	-	3.1	5.1	
-	0.5	1.3	0.2	
10.2	12.4	22.9	50	
-	0.6	0.4	0.5	
4.6	2.8	3.8	5.6	
-	9.6	48.2	-	
2.1				
0.5	1.2	1.1	4.4	
0.9	9.2	3.9	71	
-	0.8	1.5	3.5	
0.2	-	0.5	-	
1.6	4.1	1.7	6.8	
1.7	4.5	4.5	6.5	
0.2	3.0	2.9	5.1	
0.5				
5.2				
23.1	61.5	60.1	84.9	
2.0				
4.2				
0.7				
0.7	0.7	1.2	7	
0.2				
3.1				
0.9				
4.5				
-	-	-	4.1	
-	29.8	-	-	
-	0.8	1.2	2.1	
-	0.6	1.1	-	
12.6	0.0	-	-	
85.1	151.2	168.0	270.5	-
14.9	(51.2)	(68.0)	(170.5)	-
29.7				
1.1	0.0	0.2	0.6	-
(11.6)				
(19.2)				
(0.1)	0.0	0.2	0.6	-
14.8	(51.2)	(67.8)	(170.0)	-
1.72				
524.1				
540.6 %	(51.2) %	(67.8) %	(170.0) %	- %

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION LIST OF BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS For the Year Ended September 30, 2016

Complete district mailing address: 228 Texas Ave, Ste A, New Boston, Texas 75570

District business telephone number: 903-831-0091

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

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid* (FYE 9/30/2016)</u>	<u>Expense Reimbursements (FYE 9/30/2016)</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Sean Rommel	(Appointed) 1/2015-12/2018	\$ -	\$ -	President
Jim Green	(Appointed) 1/2015-12/2019	\$ -	\$ 222	Vice President
Fred Milton	(Appointed) 1/2012-01/2016	\$ -	\$ -	Secretary
Marshall Wood	(Appointed) 1/2012-01/2017	\$ -	\$ 78	Treasurer
Kelly Mitchell	(Appointed) 1/2015-12/2019	\$ -	\$ -	At-Large
<b>Key Administrative Personnel:</b>				
Elizabeth Fazio	8/13/2015	\$ 84,673	\$ 1,959	Executive Director
<b>Consultants:</b>				
Holliday, Lemons & Cox, P.C.	10/16/2014	\$ 29,125		Auditor
Cross Oak Group	3/4/2013	\$ 40,000		Consultant
Larry D. Meyers	8/13/2015	\$ 121,481		Consultant

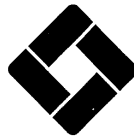
\* Fees of office are the amounts actually paid to a director during the district's fiscal year.



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## **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 (Riverbend), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Riverbend's basic financial statements, and have issued our report thereon dated March 6, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Riverbend'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 Riverbend's internal control. Accordingly, we do not express an opinion on the effectiveness of Riverbend'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. Reference # 2016-001 and 2016-002.

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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 Riverbend'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*.

## **Riverbend Water Resources District's Response to Finding**

Riverbend's response to the finding identified in our audit is described in the accompanying schedule of findings. Riverbend's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Holliday, Lemons, & Cox, P.C." The signature is written in a cursive, flowing style.

March 6, 2017

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# RIVERBEND WATER RESOURCES DISTRICT

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## SCHEDULE OF FINDINGS

For the Year Ended September 30, 2016

### *Financial Policies, Procedures, and Application of Accounting Principles Reference 2016-001*

#### *Condition*

The following issues were noted on Riverbend's financial statements, prior to auditor adjusting entries, and appear attributable to the lack of use of proper financial policies and procedures and the lack of proper application of accounting principles.

1. Capital assets accounts required adjustments totaling \$6,872,175.
2. Construction in progress required net adjustments of \$646,700, including \$226,539 which should have been recorded as part of the acquisition of the wet utilities operations from TexAmericas Center and additional related liabilities not accrued at year-end of \$420,161.
3. Depreciation expense of \$198,682 was not recorded.
4. Accrued compensated absences totaling \$42,301 were not properly recorded.
5. Prepaid expenses of \$23,219 were not properly recorded.
6. Additional accounts payable, including credit card liabilities, totaling \$18,492 were not recorded.
7. The two new bond issues were not properly recorded and required adjustment to the liability accounts of \$290,676 and the expense account of \$302,263.
8. Accrued interest expense payable related to the new bonds was not recorded in the amount of \$182,882.
9. The due to and from other funds accounts were not in balance at year end. The Administrative fund's due from Wet Utilities fund of \$42,913 was not recorded.
10. Accrued payroll of \$15,810 was not recorded.
11. The payment of the accrued termination benefits of \$65,000 was not properly recorded.
12. Restricted equity of \$8,092,084 and the investment in net assets of \$340,840 was not recorded.

#### *Criteria*

All financial statement accounts should be properly adjusted for accruals prior to close of the year end books and issuance of interim financial statements by Riverbend staff. Management and the Board management is responsible for establishing and maintaining effective internal controls over financial policies.

#### *Cause*

Most of the adjustments described above were related to the acquisition of the wet utilities system and the accruals at year end.

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# RIVERBEND WATER RESOURCES DISTRICT

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## SCHEDULE OF FINDINGS

For the Year Ended September 30, 2016

### *Financial Policies, Procedures, and Application of Accounting Principles Reference 2016-001 (continued)*

#### *Effect*

Potentially material misstatements in the financial statements or material misstatements of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

In addition, without the proper application of generally accepted accounting principles (GAAP), Riverbend's financial staff cannot produce fairly stated financial statements.

#### *Recommendation*

Management should develop and follow formalized financial policies and procedures which provide for accurate and complete financial reporting. Financial staff should properly apply GAAP in order to produce fairly stated financial statements. All balance sheet accounts of the financial statements should be reviewed to determine if any adjusting entries are necessary as part of the year end closing process.

#### *Views of Responsible Officials and Planned Corrective Actions*

Many of the issues noted were in direct relation to the complicated acquisition of wet utilities mid-year. The issues have been addressed and adjustments have been made to accurately reflect how these items are reflected in the financial statements. These are anticipated to be one-time adjustments. The District has developed a process for addressing the proper recordation.

The District has addressed the issues noted above. The District now has controls and practices in place to ensure proper recording of prepaid insurance, accounts payable, accrued absences, and payroll - and restricted equity and net assets at year-end.

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# RIVERBEND WATER RESOURCES DISTRICT

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## SCHEDULE OF FINDINGS

For the Year Ended September 30, 2016

### *Deposit Risk Disclosures* *Reference 2016-002*

#### *Condition*

Of Riverbend's \$9,567,720 in bank deposits, total deposits of \$408,881 were exposed to custodial credit risk at September 30, 2016 because the deposits are uninsured and uncollateralized. Additional pledged collateral of \$400,000 was added in in early October 2016.

#### *Criteria*

Government Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*, requires certain disclosures related to deposit and investment risks including credit risk, concentration risk, interest rate risk and foreign currency risk.

#### *Effect*

Riverbend is exposed to custodial credit risk which might have been otherwise averted or minimized if proper internal controls were in place to monitor the amount of deposits held at each institution as well as the amounts of depository insurance and pledged collateral.

#### *Recommendation*

Riverbend's management should periodically, at least once a year, monitor the amount of deposits as compared to the amounts of depository insurance and pledged securities to ensure that coverage provided by the financial institutions is adequate.

#### *Views of Responsible Officials and Planned Corrective Action*

The District has addressed the issues noted above. The District now has controls and practices in place to ensure proper monitoring of deposits. Going forward, the District will monitor deposit coverage on a monthly basis with oversight by Executive Director/CEO. The District is also aware of the urgency in receiving and returning the pledge documents in a timely manner and will alert the financial institution to this, as well.

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