



**RIVERBEND RESOLUTION NO. 20180404-03**  
**APPROVING THE FY 2016-2017 ANNUAL AUDIT**  
**PERFORMED BY WILF & HENDERSON, P.C.**

**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 2016-2017, including a full year audit for the Administrative Member funds at Texana Bank and a full year audit for the Wet Utilities' fund at State Bank of DeKalb; and

**WHEREAS**, Wilf & Henderson, P.C. 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 2016-2017;

**NOW, THEREFORE, BE IT RESOLVED** that the Riverbend Water Resources District approves the FY 2016-2017 Annual Audit performed by Wilf and Henderson, P.C. for distribution.

**PASSED and APPROVED this 4<sup>th</sup> day of April, 2018**

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

ATTEST:

  
\_\_\_\_\_  
Sean Rommel, Secretary

Attached: FY 2016-2017 Annual Audit for Riverbend Water Resources District

THE STATE OF TEXAS }  
COUNT OF Bowie }

of the

**Riverbend Water Resources 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 4th day of April, 2018 its annual audit report for the fiscal year or period ended September 30, 2017 and that copies of the annual audit report have been filed in the district office, located at 228 A Texas Avenue, New Boston, TX 75570

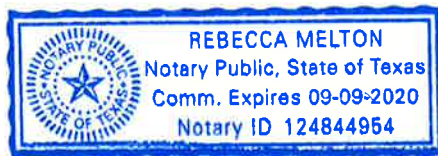
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

By:

*Engelbert Fajri Nale*  
(Signature of District Representative)

(Typed Name & Title of above District Representative)

(SEAL)



(Signature of Notary)

My Commission Expires On: 06/15/2024  
Notary Public in the State of Texas.

**RIVERBEND WATER  
RESOURCES DISTRICT**

**FINANCIAL STATEMENTS**

**For the Year Ended  
September 30, 2017**

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## Table of Contents

Annual Filing Affidavit	1
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position - Enterprise Fund	9
Statement of Revenues, Expenses, and Changes in Net Position Enterprise Fund	10
Statement of Cash Flows - Enterprise Fund	11
Notes to the Financial Statements	12-22
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - Administrative Fund	23
Budgetary Comparison Schedule - Wet Utilities Fund	24
Schedule of Services and Rates	25-27
Schedule of Enterprise Fund Expenses	28
Schedule of Temporary Investments	Not applicable
Schedule of Taxes Levied and Receivable	Not applicable
Schedule of Long-Term Debt Service Requirements Series 2016A by Years	29
Schedule of Long-Term Debt Service Requirements Series 2016B by Years	30
Schedule of Long-Term Debt Services Requirements All Bonded Debt Series by Years	31
Schedule of Changes in Long-Term Bonded Debt	32
Comparative Schedule of Revenues and Expenses - Last Five Years	33-34
List of Board Members, Key Personnel and Consultants	35
<b>OVERALL INTERNAL CONTROLS AND COMPLIANCE</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings and Responses	38
Schedule of Prior Year Findings	39-41



# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }  
COUNT OF \_\_\_\_\_ }

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

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

(Address of District)

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

Date: \_\_\_\_\_

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

(Typed Name & Title of above District Representative)

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

(SEAL)

(Signature of Notary)

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

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## Financial Section

Independent Auditor's Report

Board of Directors  
Riverbend Water Resources District  
Texarkana, TX

Members of the Board:

**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, 2017, 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

**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 Water Resources District as of September 30, 2017, 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 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverbend Water Resources District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality on pages 23-35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the Riverbend Water Resources District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Riverbend Water Resources District's internal control over financial reporting and compliance.



**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

March 29, 2018

## 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, 2017.

### Financial Highlights

- In fiscal year 2017, Riverbend's combined net position increased \$8,548,710 to \$9,680,645.
- Riverbend issued revenue bonds related to the acquisition of the wet utilities systems in the amount of \$11,610,000 on May 1, 2016.
- Riverbend's operating revenue increased by \$1,654,098 to a total for fiscal year 2017 of \$3,225,766. The Administrative fund's operating revenue decreased by (\$75,057), primarily due to a decrease in fees and supplemental contributions. The Wet Utilities fund's operating revenue increased by \$1,729,155.
- Riverbend's combined operating expenses increased by \$1,552,406 to a total for fiscal year 2017 of \$2,890,346. The Administrative fund's operating expenses increased \$79,054 and the Wet Utilities fund's operating expenses increased \$1,181,235. Depreciation expense increased by \$292,117.
- Riverbend's combined nonoperating revenues/expenses increased by \$638,900 to a total for fiscal year 2017 of \$638,810.
- Riverbend's capital contributions increased by \$130,675 to a total for fiscal year 2017 of \$157,705.

### 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 as 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.

### 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 \$9,680,645 as of September 30, 2017. 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 \$6,294,453.

NET POSITION			
	2017	2016	Total \$ Change
Assets:			
Current assets	\$ 8,056,045	\$ 9,954,677	\$ (1,898,632)
Noncurrent assets	13,527,144	11,850,861	1,676,283
Total assets	21,583,189	21,805,538	(222,349)
Liabilities:			
Current liabilities	1,145,421	1,855,527	(710,106)
Noncurrent liabilities	10,757,123	11,401,301	(644,178)
Total liabilities	11,902,544	13,256,828	(1,354,284)
Net position:			
Net investment in capital assets	2,936,607	340,840	2,595,767
Restricted for bond reserves	1,653,975	1,074,297	579,678
Restricted for construction	3,945,178	6,016,814	(2,071,636)
Restricted for planning and acquisition	695,300	1,000,973	(305,673)
Unrestricted	449,585	115,786	333,799
Total net position	\$ 9,680,645	\$ 8,548,710	\$ 1,131,935

Riverbend had an increase in net position during the year of \$1,131,935. Riverbend issued revenue bonds related to the acquisition of the wet utilities in the amount of \$11,610,000 on May 1, 2016. Only five months of operations are reflected for 2016. Riverbend's total operating revenues increased by \$1,654,098 in fiscal year 2017 from the 2016 revenue. Charges for services for member entities fees for fiscal year 2017 of \$3,052,742 were increased from fiscal year 2016 of \$1,320,363 by \$1,732,379. Supplemental contribution income for the fiscal year 2017 was \$120,000, which was a decrease of \$116,138 from fiscal year 2016 of \$236,138. The wet utilities systems had operating revenues of \$2,853,652 for the year ended September 30, 2017. Riverbend's combined operating expenses increased by \$1,552,406 for a fiscal year 2017 total of \$2,890,346. The Administrative fund's operating expenses increased \$79,054 and the Wet Utilities fund operating expenses increased \$1,181,235. Depreciation expense increased by 292,117.



### CHANGES IN NET POSITION

	2017	2016	Total \$ Change
Operating revenue:			
Charges for services	\$ 3,052,742	\$ 1,320,363	\$ 1,732,379
Supplemental member contributions	120,000	236,138	(116,138)
Other	53,024	15,167	37,857
Total operating revenue	<u>3,225,766</u>	<u>1,571,668</u>	<u>1,654,098</u>
Operating expenses:			
Administrative	366,940	287,886	79,054
Wet Utilities	2,032,607	851,372	1,181,235
Depreciation	490,799	198,682	292,117
Total operating expenses	<u>2,890,346</u>	<u>1,337,940</u>	<u>1,552,406</u>
Operating income	335,420	233,728	101,692
Nonoperating revenues/expenses	638,810	(990)	639,800
Capital contributions	157,705	27,030	130,675
Acquisition of wet utility systems	<u>-</u>	<u>8,236,939</u>	<u>(8,236,939)</u>
Change in net position	1,131,935	8,496,707	(7,364,772)
Net position, beginning of year	<u>8,548,710</u>	<u>52,003</u>	<u>8,496,707</u>
Net position, end of year	<u>\$ 9,680,645</u>	<u>\$ 8,548,710</u>	<u>\$ 1,131,935</u>

#### Capital Assets

Riverbend's capital assets as of September 30, 2017 amount to \$13,527,144. 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 construction in progress \$2,099,536.

### CAPITAL ASSETS, NET OF DEPRECIATION

	2017	2016
Computer equipment	\$ 749	\$ 1,022
Equipment	129,801	73,403
Utility system	12,330,861	10,512,552
Intangible assets	245,760	252,130
Construction in progress	819,973	1,011,734
Total capital assets	<u>\$ 13,527,144</u>	<u>\$ 11,850,841</u>

#### Debt Administration

In the year ended September 30, 2016, 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, 2017 totaled \$11,375,000.

## Economic Factors and Next Year's Budget

The District's economic position for 2016-2017 continued to improve in its first full year of operations of the Wet Utilities at the Red River Army Depot (RRAD) and TexAmericas Center (TAC). The District also continued its dual roles as both a planning entity and a provider/operator for water and wastewater services in the region. The District added a water and water rates study to its ongoing Regional Water Planning efforts and finished strong financially for the year.

In 2016-2017, Riverbend continued to expand on its Regional Water Master Plan for the Northeast Texas region. This endeavor began in June 2016 and is expected to include an update of population and water demand projections, identification of existing water supply and existing infrastructure, evaluation of various treatment strategies, as well as examination of the feasibility of a new regional water treatment facility. Participants of the study are both member entities and other regional partners in Bowie, Cass, and Red River counties, including the following:

- Central Bowie County Water Supply Corporation (CBCWSC)\*
- City of Annona
- City of Atlanta
- City of Avery
- City of Clarksville\*
- City of DeKalb
- City of Hooks
- City of Leary
- City of Maud
- City of Nash
- City of New Boston
- City of Red Lick\*
- City of Redwater
- City of Texarkana, Texas
- City of Wake Village
- TexAmericas Center

The District maintained very good relations with each of its member entities, having separately attended City Council and Commissioner meetings for each of its member entities. Additionally, Riverbend obtained resolutions of support from each of its member entities to be the entity to acquire any future water rights in Wright Patman Lake, should more water rights become available. The District also entered into Memorandums of Understanding this year with CBCWSC and the City of Red Lick for the purpose of collaborating on regional water issues, in part with the Regional Water Master Plan. Before the end of the fiscal year, Riverbend was highly focused on updating population and water demand projections, both municipal and industrial, in the Region D Plan through the state water plan process which is currently updated every five years. Additionally, the District added a regional water and wastewater rates study at the request of its member entities with a cost of approximately \$130,000. It is intended that this rate study will help member entities identify rate savings, compare rates statewide, and project future proposed rates for the development of regional and local infrastructure projects. It is anticipated that both studies will be finalized in 2018. In the meantime, Riverbend desires to begin planning for an additional, new water intake at Wright Patman Lake and for the development of a raw water intake directed to the TAC footprint.

Riverbend oversaw the annual true-process and led discussions related to a formalized approach to the administrative costs of maintaining the New Boston Road and Millwood Plant Operations. Since the development of the true-up process, the administrative costs had been informally been capped at 5%. This number rose to 6.14% with the development of a transparent showing of actual costs expended. The District has also continued to request the purchase of water infrastructure on TAC East from the City of Texarkana, Texas, as this infrastructure is located on the Riverbend water CCN.



Financially, the District's net position grew by \$1,300,000 to \$9,876,478 from a previous year's net position of \$8,548,710 with an operating budget just over \$3,000,000. The District repaid in-full a \$900,000 loan to TexAmericas Center; this loan was a one-time loan in connection with the transfer of the Wet Utilities at the RRAD and TAC, and if repaid within one-year was intended to be zero-percent interest. Riverbend has continued to collect payments from the military within 30 to 60 days of invoice. The District also identified gaps in residential and commercial rates on the TAC footprint and adopted proposed rates that closed the gap for bond repayment purposes. Riverbend continues to examine these rates in comparison to other industrial footprints across the state, keeping in mind that rates will need to remain competitive. Riverbend also adopted policies related to restricting certain funds, travel, etc. in order to protect the financial stability of the District.

Furthermore, Riverbend continued implementation of Capital Improvement Projects (CIP) for the military, including completion of an almost 9-mile pipeline rehabilitation and the continued build-out of two half-million gallon water storage tanks. The District anticipates the development of a feasibility study for the industrial pre-treatment facility, among a number of other projects in the coming year.

Finally, the District served 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 negotiations with the United State Army Corps of Engineers (USACE) for the implementation of the Ultimate Rule Curve in the Permanent Contract of 1968, for additional water storage space in Wright Patman Lake. Riverbend met with the USACE on a number of occasions and further developed contact with the Dallas Division.

Riverbend's focus for the 2017-2018 Fiscal Year will be to finalize the Regional Water Master Plan and Water/Wastewater Rates Study; work with Member Entities on sampling and service contracts, as needed; finalize construction of the two half-million gallon water storage tanks; acquire water infrastructure on the TAC East footprint; and identify further CIP for the military for the next five to seven years; and continue working towards resolution with the USACE on water storage fees and cultural resource studies tied to the implementation of the Ultimate Rule Curve.

\* *Denotes non-member entity.*

^ *The only City Council meeting of a member entity not attended and resolution not obtained in 2016-2017 was City of Avery. This meeting has been scheduled for attendance in 2017-2018 timeframe.*

#### **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 information should be addressed to Elizabeth Fazio Hale, Riverbend's Executive Director/CEO at 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, 2017

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 250,156	\$ 789,241	\$ 1,039,397
Accounts receivable	31,620	681,830	713,450
Due from other fund	8,745		8,745
Restricted assets:			
Cash restricted for construction - bond proceeds		3,945,178	3,945,178
Cash restricted for bond debt reserves		1,653,975	1,653,975
Cash restricted for planning & acquisition - bond proceeds		695,300	695,300
Total current assets	<u>290,521</u>	<u>7,765,524</u>	<u>8,056,045</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Computer equipment	749		749
Equipment		129,801	129,801
Utility system		12,330,861	12,330,861
Intangible assets		245,760	245,760
Construction in progress		819,973	819,973
Total capital assets	<u>749</u>	<u>13,526,395</u>	<u>13,527,144</u>
Total noncurrent assets	<u>749</u>	<u>13,526,395</u>	<u>13,527,144</u>
<b>TOTAL ASSETS</b>	<u>291,270</u>	<u>21,291,919</u>	<u>21,583,189</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	8,266	179,472	187,738
Contracts payable		49,278	49,278
Retainage payable		2,464	2,464
Payroll liabilities		17,308	17,308
Due to other fund		8,745	8,745
Accrued interest payable		215,416	215,416
Accrued compensated absences - current		14,472	14,472
Revenue bonds payable - current		650,000	650,000
Total current liabilities	<u>8,266</u>	<u>1,137,155</u>	<u>1,145,421</u>
Noncurrent liabilities:			
Accrued compensated absences - long term		32,123	32,123
Revenue bonds payable - long term		10,725,000	10,725,000
Total noncurrent liabilities	<u>-</u>	<u>10,757,123</u>	<u>10,757,123</u>
<b>TOTAL LIABILITIES</b>	<u>8,266</u>	<u>11,894,278</u>	<u>11,902,544</u>
<b>NET POSITION</b>			
Net investment in capital assets	749	2,935,858	2,936,607
Restricted for bond reserves		1,653,975	1,653,975
Restricted for construction		3,945,178	3,945,178
Restricted for planning and acquisition		695,300	695,300
Unrestricted	282,255	167,330	449,585
<b>TOTAL NET POSITION</b>	<u>\$ 283,004</u>	<u>\$ 9,397,641</u>	<u>\$ 9,680,645</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, 2017

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services:			
Member fees	\$ 202,114	\$ -	\$ 202,114
Army volumetric charge		2,430,639	2,430,639
Army water supply charge		276,293	276,293
Commercial & residential charge		143,696	143,696
Supplemental member contributions	111,130		111,130
Supplemental contributions - Riverbend (RRAD)	8,870		8,870
Operating grant	50,000	3,024	53,024
Total operating revenues	<u>372,114</u>	<u>2,853,652</u>	<u>3,225,766</u>
<b>OPERATING EXPENSES</b>			
Accounting & audit	7,221		7,221
Analyticals		101,904	101,904
Community relations	4,268		4,268
Conferences & seminars	2,291		2,291
Consulting	189,028	7,200	196,228
Dues & memberships	1,818		1,818
Engineering services	58,193		58,193
Equipment maintenance, repair & fuel		27,189	27,189
Insurance		3,879	3,879
Legal & professional fees	6,965		6,965
Licenses & fees		222	222
Materials		137,912	137,912
Meetings expense	2,272		2,272
Office supplies and expense	1,240		1,240
Other maintenance		288	288
Permits		36,680	36,680
Repairs		141,640	141,640
Salaries, wages, payroll taxes & benefits	81,192	597,903	679,095
Subscriptions	276		276
Supplies & materials		41,210	41,210
Travel & training	5,767		5,767
Utilities	1,788	110,603	112,391
Waste disposal		36,545	36,545
Water purchase cost		280,382	280,382
Web design & maintenance	4,621		4,621
Overhead allocation - water		152,715	152,715
Overhead allocation - wastewater		203,620	203,620
Overhead allocation - industrial wastewater		152,715	152,715
Total operating expenses	<u>366,940</u>	<u>2,032,607</u>	<u>2,399,547</u>
Operating income (loss) before depreciation	5,174	821,045	826,219
Depreciation	273	490,526	490,799
Operating income (loss)	<u>4,901</u>	<u>330,519</u>	<u>335,420</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Facility charges revenue		1,143,681	1,143,681
Interest revenue		42,018	42,018
Other revenue		33,397	33,397
Interest expense		(486,992)	(486,992)
Franchise fees expense		(84,424)	(84,424)
Administrative fund supplemental fee expense		(8,870)	(8,870)
Total nonoperating revenues (expenses)	<u>-</u>	<u>638,810</u>	<u>638,810</u>
Income (loss) before capital contributions and transfers	4,901	969,329	974,230
Capital contributions		157,705	157,705
Transfers in (out)	100,000	(100,000)	-
Change in net position	104,901	1,027,034	1,131,935
Net position, beginning of year	211,016	8,337,694	8,548,710
Prior period adjustment	(32,913)	32,913	-
Net position, end of year	<u>\$ 283,004</u>	<u>\$ 9,397,641</u>	<u>\$ 9,680,645</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, 2017

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 327,647	\$ 2,490,683	\$ 2,818,330
Cash paid to suppliers	(278,045)	(1,693,777)	(1,971,822)
Cash paid to employees	(81,342)	(592,556)	(673,898)
Cash received from operating grant	50,000		50,000
Net cash provided (used) by operating activities	18,260	204,350	222,610
<b>Cash flows from noncapital financing activities:</b>			
Net increase (decrease) in interfund receivable/liability accounts	1,255	(1,255)	-
Other revenue receipts		33,397	33,397
Other nonoperating expenses paid		(93,294)	(93,294)
Operating transfer in (out)	100,000	(100,000)	-
Net cash provided (used) by noncapital financing activities	101,255	(161,152)	(59,897)
<b>Cash flows from financing activities:</b>			
Receipt of facility charges revenues		1,143,681	1,143,681
Acquisition and construction of capital assets		(1,957,635)	(1,957,635)
Interest expense paid		(454,458)	(454,458)
Bonded debt principal reduction		(235,000)	(235,000)
Note payable debt principal reduction		(900,000)	(900,000)
Net cash provided (used) by financing activities	-	(2,403,412)	(2,403,412)
<b>Cash flows from investing activities:</b>			
Interest revenue received		42,018	42,018
Net cash provided (used) by investing activities	-	42,018	42,018
<b>Net increase(decrease) in cash</b>	<b>119,515</b>	<b>(2,318,196)</b>	<b>(2,198,681)</b>
<b>Cash, beginning of year</b>	<b>130,641</b>	<b>9,401,890</b>	<b>9,532,531</b>
<b>Cash, end of year</b>	<b>250,156</b>	<b>7,083,694</b>	<b>7,333,850</b>
<b>Cash consists of:</b>			
Unrestricted cash	250,156	789,241	1,039,397
Cash restricted for construction - bond proceeds		3,945,178	3,945,178
Cash restricted for bonded debt purposes		1,653,975	1,653,975
Cash restricted for planning & acquisition - bond proceeds		695,300	695,300
<b>Total cash</b>	<b>250,156</b>	<b>7,083,694</b>	<b>7,333,850</b>
<b>Reconciliation of net income to net cash provided by operating activities</b>			
Operating income	\$ 4,901	\$ 330,519	\$ 335,420
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation expense	273	490,526	490,799
(Increase) decrease in current assets:			
Accounts receivable	5,533	(362,969)	(357,436)
Prepaid expenses		23,219	23,219
Increase (decrease) in current liabilities:			
Accounts payable	7,703	(282,292)	(274,589)
Payroll liabilities	(150)	1,053	903
Accrued compensated absences		4,294	4,294
Total adjustments	13,359	(126,169)	(112,810)
Net cash provided by operating activities	\$ 18,260	\$ 204,350	\$ 222,610

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

# **RIVERBEND WATER RESOURCES DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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



## **RIVERBEND WATER RESOURCES DISTRICT**

### *Notes to Financial Statements continued.*

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 services, 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.

#### **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.

## **RIVERBEND WATER RESOURCES DISTRICT**

### ***Notes to Financial Statements continued.***

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 costs. 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 the 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 2017, Riverbend recognized capital contributions of \$157,705 in the Wet Utility Fund that consisted of a fee charged to the Army for the construction of capital assets.

#### **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.



## **RIVERBEND WATER RESOURCES DISTRICT**

*Notes to Financial Statements continued.*

### **10. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make some 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. Riverbend requires collateralized securities for the excess over FDIC coverage. At September 30, 2017, the deposits were fully insured by FDIC or additional coverage of pledged securities.

#### *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 over 5% are as follows at September 30, 2017:

<u><i>Type</i></u>	<u><i>Financial Institution</i></u>	<u><i>Fair Value</i></u>	<u><i>% of Total</i></u>
Cash	State Bank of DeKalb	\$6,712,846	83.33%
Cash	Bank of Texas	422,984	5.25%

### **NOTE 4 – ACCOUNTS RECEIVABLE**

Riverbend's accounts receivable as of September 30, 2017 was \$713,450. 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.

# RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<i>Balance October 1, 2016</i>	<i>Additions</i>	<i>Reclassifications/ Retirements</i>	<i>Balance September 30, 2017</i>
Capital assets, not being depreciated				
Construction in progress	\$ 1,011,734	\$ 2,099,536	\$ (2,291,297)	\$ 819,973
Capital assets, being depreciated				
Computer equipment	1,362			1,362
Equipment	78,049	67,548		145,597
Utility systems	10,703,680		2,291,297	12,994,977
Intangible assets	254,784			254,784
Total capital assets, being depreciated	11,037,875	67,548	2,291,297	13,396,720
Less accumulated depreciation for:				
Computer equipment	(340)	(273)		(613)
Equipment	(4,646)	(11,150)		(15,796)
Utility systems	(191,110)	(473,006)		(664,116)
Intangible assets	(2,654)	(6,370)		(9,024)
Total accumulated depreciation	(198,750)	(490,799)	-	(689,549)
Total capital assets, being depreciated	10,839,125	(423,251)	2,291,297	12,707,171
Total capital assets, net	\$ 11,850,859	\$ 1,676,285	\$ -	\$ 13,527,144

Riverbend had several construction projects in process during the year ended September 30, 2017. The Pipe Line Project was completed at a total cost of \$2,281,091. The J15 Lift Station was completed at a total cost of \$10,206. The Water Booster Station and Storage Tank project had accumulated \$441,958 of construction in progress cost at September 30, 2017. The Regional Planning and Water Rate Master Study had accumulated \$378,015 of construction in progress cost at September 30, 2017.

Total depreciation expense of \$490,799 was included in operating expenses.

## NOTE 6 – NOTE PAYABLE

In April 2016 a promissory note 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 extended the due date of the note to April 30, 2017. The note was paid off in April 2017.



# RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

## NOTE 7 – LONG-TERM OBLIGATIONS

Long-term debt at September 30, 2017 is comprised of the following:

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding Sept 30, 2017</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	0.8-4.56%	\$ 4,925,000	\$ 4,725,000
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>6,650,000</u>
Total bonded indebtedness		<u>\$ 11,610,000</u>	11,375,000
Less current maturities			<u>(650,000)</u>
Total long-term debt			<u>\$ 10,725,000</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 \$17,419,542. Riverbend made \$235,000 of principal payment \$454,458 of interest payments during the fiscal year ended September 30, 2017. Riverbend incurred \$486,992 of interest expense during the year ended September 30, 2017.

Annual requirements to amortize Riverbend's revenue bonds outstanding at September 30, 2017 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>
2018	\$ 650,000	\$ 457,753	\$ 1,107,753
2019	680,000	432,432	1,112,432
2020	710,000	405,449	1,115,449
2021	740,000	376,893	1,116,893
2022	775,000	346,686	1,121,686
2023-2027	2,525,000	1,592,572	4,117,572
2028-2032	2,365,000	1,168,767	3,533,767
2033-2037	845,000	573,097	1,418,097
2038-2042	1,055,000	359,214	1,414,214
2043-2046	1,030,000	96,672	1,126,672
	<u>\$ 11,375,000</u>	<u>\$ 5,809,535</u>	<u>\$ 17,184,535</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, 2017:

	<i>Beginning Balance October 1, 2016</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance Sept. 30, 2017</i>	<i>Due Within One Year</i>
Revenue bonds	\$ 11,610,000	\$ -	\$ (235,000)	\$ 11,375,000	\$ 650,000
Accrued compensated absences	42,301	4,294		46,595	14,472
Note payable	900,000		(900,000)	-	-
Total	<u>\$ 12,552,301</u>	<u>\$ 4,294</u>	<u>\$ (1,135,000)</u>	<u>\$ 11,421,595</u>	<u>\$ 664,472</u>

The note payable was issued by TexAmericas Center at 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 September 30, 2016, however, the due date was extended to April 30, 2017. The note was paid off in April 2017. Since the note was repaid within the first year, it was 0% interest.

#### 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. Employee contributions are immediately vested. Riverbend matches the employee contributions on a discretionary basis. Eligible employees may only participate in the matching program after the first 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; 0.5 to 1 of 8-10% of contributions. Employees are vested in the employer contributions after two years of employment.

Employer and employee contributions to the plan for the year ended September 30, 2017 totaled \$78,176 and \$59,144, 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.*

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

During the fiscal year ended September 30, 2017, a payable of \$8,745 was recorded by the Wet Utilities Fund to the Administrative Fund with an offsetting receivable recorded by the Administrative Fund. These interfund balances will be repaid currently.

### **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.

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

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.

#### *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.



## **RIVERBEND WATER RESOURCES DISTRICT**

### ***Notes to Financial Statements continued.***

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 4,300 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 from any future new water treatment plant facilities by Riverbend. In order to redeem any accrued 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 amount of future credits accrued by TexAmericas Center for the current year ending September 30, 2017 was \$31,889. The cumulative TAC rental water credits are included in the schedule in Note 15.

#### **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, 2017 Riverbend paid franchise fees of \$84,424.

#### **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.

##### **Water fees and credits**

An item of operating revenue for Riverbend represent fees paid by member organization 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.

## RIVERBEND WATER RESOURCES DISTRICT

### Notes to Financial Statements continued.

The amount of advances paid by each member organization for Riverbend fees, supplemental contributions and rental credits by year is as follows:

<i>Member Organization</i>	<i>2017</i>	<i>2016</i>	<i>Prior Years</i>	<i>Total</i>
City of Annona	\$ 689	\$ 734	\$ 1,317	\$ 2,740
City of Atlanta	21,997	30,583	45,877	98,457
City of Avery	1,292	2,287	3,723	7,302
City of DeKalb	5,385	7,650	12,671	25,706
City of Hooks	12,645	13,956	22,311	48,912
City of Leary	1,238	1,747	2,939	5,924
City of Maud	3,160	4,946	7,774	15,880
City of Nash	6,656	9,242	11,947	27,845
City of New Boston	26,369	35,367	58,663	120,399
City of Redwater	8,818	10,387	13,116	32,321
City of Texarkana, TX	196,878	276,759	381,428	855,065
City of Wake Village	12,726	17,012	27,162	56,900
TexAmericas Center	-	20,444	39,854	60,298
TexAmericas Center Rental Credit	31,889	30,960	-	62,849
Wet Utilities Fund	24,260	3,369	-	27,629
Total	<u>\$ 354,002</u>	<u>\$ 465,443</u>	<u>\$ 628,782</u>	<u>\$ 1,448,227</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:

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 Pension Plans*, 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 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.



## **RIVERBEND WATER RESOURCES DISTRICT**

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### ***Notes to Financial Statements continued.***

The Statement requires that a government that receives resources pursuant to an irrevocable split-interests 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. 83, *Certain Asset Retirement Obligations*, issued 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 – PRIOR PERIOD ADJUSTMENT**

In the prior fiscal year, salary reimbursement between funds was not recognized as an expense for the 40% allocation in the Administrative Fund. The amount of prior period adjustment is (\$32,913) which restates the beginning net position as \$178,103 in the Administrative Fund and \$8,370,607 in the Wet Utilities Fund.

#### **NOTE 18 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of Riverbend has evaluated events and transactions for potential recognition or disclose through March 29, 2018, 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, 2017

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 190,000	\$ 190,000	\$ 202,114	\$ 12,114
Supplemental member contributions	-	105,644	111,130	5,486
Supplemental contributions - Riverbend (RRAD)	-	9,600	8,870	(730)
Consulting fees	9,600	-	-	-
Operating grant	120,000	50,000	50,000	-
Total operating revenues	<u>319,600</u>	<u>355,244</u>	<u>372,114</u>	<u>16,870</u>
<b>OPERATING EXPENSES</b>				
Accounting & audit	15,500	15,500	7,221	8,279
Community relations	5,000	5,000	4,268	732
Conferences & seminars	5,000	5,000	2,291	2,709
Consulting	175,000	260,000	189,028	70,972
Dues & memberships	1,835	1,835	1,818	17
Engineering services	9,000	59,000	58,193	807
Legal & professional fees	7,500	7,500	6,965	535
Meetings expense	2,400	2,400	2,272	128
Office supplies & expense	2,700	2,700	1,240	1,460
Salaries, wages & benefits	80,726	80,726	81,192	(466)
Subscriptions	1,200	1,200	276	924
Travel & training	6,000	6,000	5,767	233
Utilities	2,400	2,400	1,788	612
Web design & maintenance	5,000	5,000	4,621	379
Total operating expenses before depreciation	<u>319,261</u>	<u>454,261</u>	<u>366,940</u>	<u>87,321</u>
Depreciation	-	-	273	(273)
Total operating expenses	<u>319,261</u>	<u>454,261</u>	<u>367,213</u>	<u>87,048</u>
Income (loss) before transfers	<u>339</u>	<u>(99,017)</u>	<u>4,901</u>	<u>103,918</u>
Transfer in	-	100,000	100,000	-
Change in net position	339	983	104,901	103,918
Net position, beginning of year (Restated)	<u>178,103</u>	<u>178,103</u>	<u>178,103</u>	<u>-</u>
Net position, end of year	<u>\$ 178,442</u>	<u>\$ 179,086</u>	<u>\$ 283,004</u>	<u>\$ 103,918</u>

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE WET UTILITIES FUND For the Year Ended September 30, 2017

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,794,534	\$ 2,862,655	\$ 2,850,628	\$ (12,027)
Other revenue			3,024	3,024
Total operating revenues	<u>2,794,534</u>	<u>2,862,655</u>	<u>2,853,652</u>	<u>(9,003)</u>
<b>OPERATING EXPENSES</b>				
Analyticals	160,000	160,000	101,904	58,096
Consulting	45,000	45,000	7,200	37,800
Equipment maintenance, repair & fuel	38,000	38,000	27,189	10,811
Equipment rental	16,000	16,000	-	16,000
Insurance		-	3,879	(3,879)
Licenses & fees		-	222	(222)
Materials	147,000	147,000	137,912	9,088
Other maintenance	12,000	12,000	288	11,712
Permits	46,000	46,000	36,680	9,320
Repairs	335,000	335,000	141,640	193,360
Salaries, wages, payroll taxes & benefits	871,793	791,067	597,903	193,164
Supplies	44,200	44,200	41,210	2,990
Utilities	165,000	165,000	110,603	54,397
Waste disposal	56,000	56,000	36,545	19,455
Water purchase cost	198,426	270,000	280,382	(10,382)
Overhead allocation - water	140,343	164,561	152,715	11,846
Overhead allocation - wastewater	187,124	219,414	203,620	15,794
Overhead allocation - industrial wastewater	140,343	164,561	152,715	11,846
Total operating expenses	<u>2,602,229</u>	<u>2,673,803</u>	<u>2,032,607</u>	<u>641,196</u>
Operating income (loss) before depreciation	192,305	188,852	821,045	632,193
Depreciation		-	490,526	(490,526)
Operating income (loss)	<u>192,305</u>	<u>188,852</u>	<u>330,519</u>	<u>141,667</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Facility charges revenues	1,230,131	1,230,131	1,143,681	(86,450)
Interest revenue	20,000	20,000	42,018	22,018
Other revenue	-	-	33,397	33,397
Interest expense	(438,636)	(438,636)	(486,992)	(48,356)
Franchise fees expense	(78,000)	(78,000)	(84,424)	(6,424)
Administrative fund supplemental fee expense	(8,880)	(8,880)	(8,870)	10
Special projects administrative fee income	-	-	-	-
Regional planning	-	(60,000)	-	60,000
Total nonoperating revenues (expenses)	<u>724,615</u>	<u>664,615</u>	<u>638,810</u>	<u>(25,805)</u>
Income (loss) before capital contributions and transfers	916,920	853,467	969,329	115,862
Capital contributions			157,705	157,705
Transfers in (out)		(100,000)	(100,000)	-
Change in net position	916,920	753,467	1,027,034	273,567
Net position, beginning of year (Restated)	<u>8,370,607</u>	<u>8,370,607</u>	<u>8,370,607</u>	<u>-</u>
Net position, end of year	<u>\$ 9,287,527</u>	<u>\$ 9,124,074</u>	<u>\$ 9,397,641</u>	<u>\$ 273,567</u>



# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES For the Year Ended September 30, 2017

### 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      |
- ☒ Participates in joint ventures, regional system, and/or wastewater service  
(other than emergency interconnect)
- ☐ 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 1,000 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

### SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES (CONTINUED) For the Year Ended September 30, 2017

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

Gallon pumped into system:	334,414,000	Water Accountability Ratio: (Gallons billed/Gallon pumped)
Gallons billed to customers:	334,414,000	_____ 100% _____

#### 4. Location of District:

County(ies) in which 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

## SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES (CONTINUED) For the Year Ended September 30, 2017

### WATER/SEWER RATE SCHEDULE

	<i>Commercial sewer only</i>	<i>Commercial water/sewer</i>	<i>Private water/sewer</i>	<i>Private 1" sprinkler</i>	<i>Commercial hydrant / sprinkler</i>
Standard water rate (\$/1,000)	\$ -	\$ 6.50	\$ 3.50	\$ 3.50	\$ -
Standard sewer rate (\$/1,000)	-	7.00	7.00	-	-
Facility charge					
Water	-	3.25	2.75	2.50	-
Sewer	-	3.25	2.75	-	-
Total charge (\$/1,000)	-	20.00	16.00	6.00	-
Fixed minimum charge	20.00	35.00	20.00	10.00	15.00
Water rate		10.00	7.00	7.00	10.00
Sewer rate	15.00	15.00	10.00	-	-
Facility charge water		5.00	1.50	3.00	5.00
Facility charge wastewater	5.00	5.00	1.50	-	-
Backflow Device					
Annual Calibration	50.00	-	-	-	-



## RIVERBEND WATER RESOURCES DISTRICT

### SUPPLEMENTARY INFORMATION SCHEDULE OF ENTERPRISE FUND EXPENSES For the Year Ended September 30, 2017

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
Personnel Expenses (including benefits)*	\$ 81,192	\$ 981,499	\$ 1,062,691
Professional Fees:			
Auditing and financial consulting	7,221	29,742	36,963
Legal	6,965	18,513	25,478
Consulting	189,028	7,200	196,228
Engineering services	58,193	-	58,193
Purchased Services for Resale:			
Water purchase cost	-	280,382	280,382
Utilities	1,788	110,603	112,391
Repairs and Maintenance:			
Analytical	-	101,904	101,904
Repairs & maintenance - equipment	-	27,189	27,189
Repairs & maintenance - utility system	-	220,040	220,040
Supplies and materials	-	137,912	137,912
Insurance	-	3,879	3,879
Waste disposal	-	36,545	36,545
Administrative Expenses:			
Office supplies & expenses	1,240	23,502	24,742
Utilities	-	11,657	11,657
Insurance	-	23,419	23,419
Franchise fees	-	84,424	84,424
Supplemental fee expense	-	8,870	8,870
Other administrative expenses	21,313	18,621	39,934
Other Expenditures			
Depreciation	273	490,526	490,799
Interest expense	-	486,992	486,992
<b>TOTAL EXPENSES</b>	<b>\$ 367,213</b>	<b>\$ 3,103,419</b>	<b>\$ 3,470,632</b>

\* Number of persons employed by the District: 14 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, 2017

<i>Due During Fiscal Year Ending</i>	<i>Series 2016A</i>		
	<i>Principal Due 10/15</i>	<i>Interest Due 10/15, 4/15</i>	<i>Total</i>
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	100,000	187,453	287,453
2019	100,000	186,088	286,088
2020	105,000	184,227	289,227
2021	105,000	181,959	286,959
2022	105,000	179,418	284,418
2023	110,000	176,562	286,562
2024	115,000	173,370	288,370
2025	115,000	169,914	284,914
2026	120,000	166,235	286,235
2027	125,000	162,215	287,215
2028	130,000	157,743	287,743
2029	130,000	152,848	282,848
2030	140,000	147,597	287,597
2031	145,000	142,053	287,053
2032	150,000	135,926	285,926
2033	155,000	129,200	284,200
2034	160,000	122,255	282,255
2035	170,000	114,978	284,978
2036	175,000	107,370	282,370
2037	185,000	99,294	284,294
2038	195,000	90,630	285,630
2039	200,000	81,624	281,624
2040	210,000	72,276	282,276
2041	220,000	62,472	282,472
2042	230,000	52,212	282,212
2043	240,000	41,496	281,496
2044	250,000	30,324	280,324
2045	265,000	18,582	283,582
2046	275,000	6,270	281,270
	<u>\$ 4,725,000</u>	<u>\$ 3,532,591</u>	<u>\$ 8,257,591</u>



## RIVERBEND WATER RESOURCES DISTRICT

### SUPPLEMENTARY INFORMATION

### SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS

### SERIES 2016B - BY YEARS

For the Year Ended September 30, 2017

<i>Due During Fiscal Year Ending</i>	<i>Series 2016B</i>		
	<i>Principal Due 10/15</i>	<i>Interest Due 10/15, 4/15</i>	<i>Total</i>
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	550,000	270,300	820,300
2019	580,000	246,344	826,344
2020	605,000	221,222	826,222
2021	635,000	194,934	829,934
2022	670,000	167,268	837,268
2023	705,000	138,118	843,118
2024	295,000	116,918	411,918
2025	315,000	103,986	418,986
2026	325,000	166,854	491,854
2027	300,000	218,400	518,400
2028	340,000	180,000	520,000
2029	390,000	136,200	526,200
2030	440,000	86,400	526,400
2031	500,000	30,000	530,000
	<u>\$ 6,650,000</u>	<u>\$ 2,276,944</u>	<u>\$ 8,926,944</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, 2017

<i>Due During Fiscal Year Ending</i>	<i>Combined</i>		<i>Total</i>
	<i>Principal Due 10/15</i>	<i>Interest Due 10/15, 4/15</i>	
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	650,000	457,753	1,107,753
2019	680,000	432,432	1,112,432
2020	710,000	405,449	1,115,449
2021	740,000	376,893	1,116,893
2022	775,000	346,686	1,121,686
2023	815,000	314,680	1,129,680
2024	410,000	290,288	700,288
2025	430,000	273,900	703,900
2026	445,000	333,089	778,089
2027	425,000	380,615	805,615
2028	470,000	337,743	807,743
2029	520,000	289,048	809,048
2030	580,000	233,997	813,997
2031	645,000	172,053	817,053
2032	150,000	135,926	285,926
2033	155,000	129,200	284,200
2034	160,000	122,255	282,255
2035	170,000	114,978	284,978
2036	175,000	107,370	282,370
2037	185,000	99,294	284,294
2038	195,000	90,630	285,630
2039	200,000	81,624	281,624
2040	210,000	72,276	282,276
2041	220,000	62,472	282,472
2042	230,000	52,212	282,212
2043	240,000	41,496	281,496
2044	250,000	30,324	280,324
2045	265,000	18,582	283,582
2046	275,000	6,270	281,270
	<u>\$ 11,375,000</u>	<u>\$ 5,809,535</u>	<u>\$ 17,184,535</u>



# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGE IN LONG-TERM BONDED DEBT

For the Year Ended September 30, 2017

		<i>Bond Issues</i>		
		<i>Series 2016A</i>	<i>Series 2016B</i>	<i>Total</i>
Interest rate		0.8-4.56%	4.24%	
Dates interest payable		4/15; 10/15	4/15; 10/15	
Maturity dates		10/15/2045	10/15/2030	
Beginning bonds outstanding		4,925,000	6,685,000	11,610,000
Bonds sold during the fiscal year		-	-	-
Bonds retires during the fiscal year		(200,000)	(35,000)	(235,000)
Ending Bonds Outstanding		<u>\$ 4,725,000</u>	<u>6,650,000</u>	<u>11,375,000</u>
Interest paid during the fiscal year		\$ 181,991	\$ 272,467	\$ 454,458
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, 2017:	\$ 1,653,975			
Cash restricted for construction as of September 30, 2017:	\$ 3,945,178			
Unspent bond funds as of September 30, 2017:	\$ 695,300			
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 600,674			

# RIVERBEND WATER RESOURCES DISTRICT

## SUPPLEMENTARY INFORMATION

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

Last Five Years

	Amounts				
	(Audited) 2017	(Audited) 2016 Restated	(Audited) 2015	(Audited) 2014	(Audited) 2013
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,052,742	\$ 1,320,363	\$ 202,773	\$ 205,430	\$ 65,000
Supplemental member contributions	120,000	236,138			
Consulting fees		15,000	15,000		
Intergovernmental revenue				25,000	
Other revenues	53,024	167			
Total operating revenues	<u>3,225,766</u>	<u>1,571,668</u>	<u>217,773</u>	<u>230,430</u>	<u>65,000</u>
<b>OPERATING EXPENSES</b>					
Accounting & audit	36,963	35,952	19,451	19,550	8,750
Analyticals	101,904	47,914			
Bank service fees				20	59
Car allowance				7,200	3,300
Community relations	4,268				
Conferences & seminars	2,291		1,023	2,951	128
Consulting	196,228	160,885	27,000	52,825	32,460
Dues and memberships	1,818		1,280	893	303
Employee benefits		72,764	6,125	8,658	3,672
Engineering services	58,193		20,991	111,117	
Franchise fees		33,477			
Insurance	27,298	7,228	2,574	2,607	2,862
Legal and professional fees	25,478	14,285	19,936	8,976	46,140
Meetings	3,636		1,726	3,536	2,288
Miscellaneous	1,791	3,385		1,190	
Office supplies & expense	12,959	25,419	9,031	3,973	4,396
Payroll taxes		27,151	9,773	10,438	4,220
Permits	36,680				
Rent		3,303	6,600	6,600	3,300
Repairs & maintenance - equipment	15,308	8,386			
Repairs & maintenance	175,738	81,031			
Salaries and wages	1,062,691	330,047	134,024	138,500	55,167
Start up costs		30,810			
Supplies & materials	179,122	66,764			
Temporary labor		10,240			
Travel & training	13,373	11,426	1,535	2,765	4,794
Uniforms		2,369			
Utilities	122,260	48,026			
Waste disposal	36,545	14,662			
Water purchase cost	280,382	70,821			
Reimbursement					2,659
Termination benefits			65,000		
Telephone			1,801	2,757	1,336
Web design and maintenance	4,621		1,350	2,610	
Depreciation	490,799	198,682	68		
Total operating expense	<u>2,890,346</u>	<u>1,305,027</u>	<u>329,288</u>	<u>387,166</u>	<u>175,834</u>
Operating income (loss)	<u>335,420</u>	<u>266,641</u>	<u>(111,515)</u>	<u>(156,736)</u>	<u>(110,834)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Facility charges	1,143,681	467,438			
Interest income	42,018	16,717	3	397	362
Other income	33,397				
Interest expense	(486,992)	(182,882)			
Franchise fees expense	(84,424)				
Administrative fund supplemental fee expense	(8,870)				
Bond issuance costs	-	(302,263)			
Total nonoperating revenues (expenses)	<u>638,810</u>	<u>(990)</u>	<u>3</u>	<u>397</u>	<u>362</u>
Income (loss) before capital contributions and transfers	974,230	265,651	(111,512)	(156,339)	(110,472)
Capital contributions	157,705	27,030			
Acquisition of wet utilities facility		8,236,939			
Change in net position	<u>\$ 1,131,935</u>	<u>\$ 8,529,620</u>	<u>\$ (111,512)</u>	<u>\$ (156,339)</u>	<u>\$ (110,472)</u>

Percent of Fund Total Revenues				
(Audited) 2017	(Audited) 2016 Restated	(Audited) 2015	(Audited) 2014	(Audited) 2013
94.6%	84.0%	93.1%	89.2%	100.0%
	15.0			
	1.0	6.9		
			10.8	
1.6	0.0			
100.0	100.0	100.0	100.0	100.0
1.1	2.3	8.9	8.5	13.5
3.2	3.0			
			0.0	0.1
			3.1	5.1
0.1				
0.1		0.5	1.3	0.2
6.1	10.2	12.4	22.9	49.9
0.1		0.6	0.4	0.5
	4.6	2.8	3.8	5.6
1.8		9.6	48.2	
	2.1			
0.8	0.5	1.2	1.1	4.4
0.8	0.9	9.2	3.9	71.0
0.1		0.8	1.5	3.5
0.1	0.2		0.5	
0.4	1.6	4.1	1.7	6.8
	1.7	4.5	4.5	6.5
1.1				
	0.2	3.0	2.9	5.1
0.5	0.5			
5.4	5.2			
32.9	21.0	61.5	60.1	84.9
	2.0			
5.6	4.2			
	0.7			
0.4	0.7	0.7	1.2	7.4
	0.2			
3.8	3.1			
1.1	0.9			
8.7	4.5			
				4.1
		29.8		
		0.8	1.2	2.1
0.1		0.6	1.1	
15.2	12.6	0.0		
89.6	83.0	151.2	168.0	270.5
10.4	17.0	(51.2)	(68.0)	(170.5)
35.5	29.7			
1.3	1.1	0.0	0.2	0.6
(15.1)	(11.6)			
	(19.2)			
21.7	(0.1)	0.0	0.2	0.6
30.2	16.9	(51.2)	(67.8)	(170.0)
4.9	1.7			
	524.1			
35.1%	542.7%	-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, 2017

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>(Elected or Appointed) or Date Hired</u>	<u>Office Paid* (FYE 09/30/2017)</u>	<u>Expense Reimbursements (FYE 9/30/2017)</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Marshall Wood	(Appointed) 01/2016-01/2019	\$ -	\$ -	President
Fred Milton	(Appointed) 01/2016-01/2019	\$ -	\$ -	Vice President
Sean Rommel	(Appointed) 01/2015-12/2018	\$ -	\$ 581 **	Secretary
Kelly Mitchell	(Appointed) 01/2015-12/2018	\$ -	\$ -	Treasurer
Jim Green	(Appointed) 01/2015-12/2018	\$ -	\$ 570 **	At-Large
<b>Key Administrative Personnel:</b>				
Elizabeth Fazio	8/31/2015	\$ 157,646 ***	\$ 3,115 **	Executive Director
<b>Consultants:</b>				
Holliday, Lemons & Cox, P.C.	10/16/2014	\$ 14,950		Auditor
		\$ 19,606		Accounting Services
Cross Oak Group	3/4/2013	\$ 49,000		Consultant
Larry D. Meyers	8/13/2015	\$ 79,000		Consultant

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

\*\*Travel and mileage reimbursements

\*\*\*Includes monthly car and cell phone allowances of \$9,000

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## OVERALL INTERNAL CONTROLS AND COMPLIANCE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

Independent Auditor's Report

Board of Directors  
Riverbend Water Resources District  
Texarkana, TX

Members of the Board:

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 Riverbend Water Resources District (Riverbend), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Riverbend's basic financial statements, and have issued our report thereon dated March 29, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Riverbend Water Resources District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses. Reference 2017-001.

**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 and responses. 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 "Wilf & Henderson, P.C." in a cursive script.

**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

March 29, 2018

# **RIVERBEND WATER RESOURCES DISTRICT**

## **SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended September 30, 2017**

### ***Financial Policies, Procedures, and Application of Accounting Principles Reference 2017-001***

#### ***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 adequate analytical review procedures.

1. Accrued interest expense payable related to the bonds was not recorded in the amount of \$195,833.
2. Prior year payroll costs of \$32,913 were recorded in the current year expenses instead of recording the transactions as a prior period adjustment.

#### ***Criteria***

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

#### ***Cause***

The most significant adjustment related to accrued interest payable not recorded properly at year end.

#### ***Effect***

Potentially material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner. As a result, Riverbend's financial staff cannot produce fairly stated financial statements for board approval.

#### ***Recommendation***

Management should develop and follow formalized financial policies and procedures which provide for accurate and complete financial reporting. All 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***

Riverbend has addressed the issues noted above. Riverbend has implemented additional controls and practices to ensure proper recording of accrued interest payable and payroll related transactions.

# **RIVERBEND WATER RESOURCES DISTRICT**

## **SCHEDULE OF PRIOR YEAR FINDINGS**

**For the Year Ended September 30, 2017**

### ***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 account 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 new 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.



## **RIVERBEND WATER RESOURCES DISTRICT**

### **SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**For the Year Ended September 30, 2017**

#### ***Financial Policies, Procedures, and Application of Accounting Principles References 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.

A similar finding was reported in the 2017 Audit.

# **RIVERBEND WATER RESOURCES DISTRICT**

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## **SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)** **For the Year Ended September 30, 2017**

### ***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 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 amount 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 control 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.

The District did implement the auditor recommendation in the current year and no similar finding was noted in the 2017 Audit.