



RIVERBEND RESOLUTION NO. 20190220-02

**APPROVING THE FY 2017-2018 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 2017-2018, 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

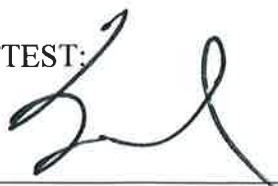
WHEREAS, Riverbend Water Resources District accepts and approves this annual year-end audit for the FY 2017-2018;

NOW, THEREFORE, BE IT RESOLVED that the Riverbend Water Resources District approves the FY 2017-2018 Annual Audit performed by Wilf and Henderson, P.C. for distribution.

PASSED and APPROVED this 20th day of February 2019


Fred Milton, President

ATTEST:


Sonja Hubbard, Vice President

Attached: FY 2017-2018 Annual Audit for Riverbend Water Resources District



ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF BOWIE

I, ELIZABETH FAZIO of the

(Name of Duly Authorized District Representative)

RIVERBEND WATER RESOURCES DISTRICT

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 20TH day of FEBRUARY its annual audit report for the fiscal year or period ended SEPTEMBER 30 2018 and those copies of the annual audit report have been filed in the district office, located at:

228a TEXAS AVENUE, NEW BOSTON, TX 75570

(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: 02/20/2019

By: _____

(Signature of District Representative)

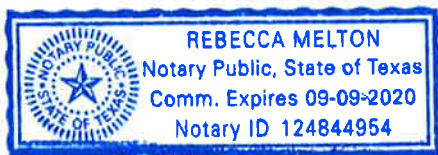
ELIZABETH FAZIO

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 20TH day of FEBRUARY, 2019

(SEAL)

(Signature of Notary)



My Commission Expires On: 09/09/2020
Notary Public in the State of Texas.

RIVERBEND WATER RESOURCES DISTRICT

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2018**

Table of Contents

Annual Filing Affidavit	1
Financial Section	
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
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	12-20
Supplementary Information - Required by Texas Commission of Environmental Quality	
Budgetary Comparison Schedule - Administrative Fund	21
Budgetary Comparison Schedule - Wet Utilities Fund	22
Schedule of Services and Rates	23-25
Schedule of Enterprise Fund Expenses	26
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	27
Schedule of Long-Term Debt Service Requirements Series 2016B by Years	28
Schedule of Long-Term Debt Services Requirements All Bonded Debt Series by Years	29
Schedule of Changes in Long-Term Bonded Debt	30
Comparative Schedule of Revenues and Expenses - Last Five Years	31-32
List of Board Members, Key Personnel and Consultants	33
Overall Internal Controls & 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 <i>Government Auditing Standards</i>	34-35
Schedule of Findings and Responses	36
Schedule of Prior Year Findings	37

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.

Financial Section



Independent Auditors' Report

Board of Directors
Riverbend Water Resources District
Texarkana, Texas

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, 2018, 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, 2018, 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 21-33 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 February 18, 2019, 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

February 18, 2019

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, 2018.

Financial Highlights

- In fiscal year 2018, Riverbend's combined net position increased \$9,680,645 to \$11,172,987.
- 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 \$153,341 to a total for fiscal year 2018 of \$3,379,107. The Administrative fund's operating revenue decreased by (\$153,910), primarily due to a decrease in fees and supplemental contributions. The Wet Utilities fund's operating revenue increased by \$307,251.
- Riverbend's combined operating expenses increased by \$394,340 to a total for fiscal year 2018 of \$3,284,686. The Administrative fund's operating expenses decreased (\$52,777) and the Wet Utilities fund's operating expenses increased \$354,143. Depreciation expense increased by \$92,974.
- Riverbend's combined nonoperating revenues/expenses decreased by (\$34,424) to a total for fiscal year 2018 of \$604,386.
- Riverbend's capital contributions increased by \$635,830 to a total for fiscal year 2018 of \$793,535.

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 \$11,172,987 as of September 30, 2018. The largest portion of Riverbend's net position are the amounts related to the net investment in capital assets totaling \$6,582,102. Riverbend had an increase in net position during the year of \$1,492,342.

NET POSITION

	2018	2017	Total \$ Change
Assets:			
Current assets	\$ 6,037,744	\$ 8,056,045	\$ (2,018,301)
Noncurrent assets	16,468,686	13,527,144	2,941,542
Total assets	<u>22,506,430</u>	<u>21,583,189</u>	<u>923,241</u>
Liabilities:			
Current liabilities	1,248,105	1,145,421	102,684
Noncurrent liabilities	10,085,338	10,757,123	(671,785)
Total liabilities	<u>11,333,443</u>	<u>11,902,544</u>	<u>(569,101)</u>
Net position:			
Net investment in capital assets	6,582,102	2,936,607	3,645,495
Restricted for bond reserves	1,833,058	1,653,975	179,083
Restricted for construction	1,808,858	3,945,178	(2,136,320)
Restricted for planning and acquisition	12,310	695,300	(682,990)
Unrestricted	936,659	449,585	487,074
Total net position	<u>\$ 11,172,987</u>	<u>\$ 9,680,645</u>	<u>\$ 1,492,342</u>

CHANGES IN NET POSITION

	2018	2017	Total \$ Change
Operating revenue:			
Charges for services	\$ 3,349,857	\$ 3,052,742	\$ 297,115
Supplemental member contributions	-	120,000	(120,000)
Other	29,250	53,024	(23,774)
Total operating revenue	<u>3,379,107</u>	<u>3,225,766</u>	<u>153,341</u>
Operating expenses:			
Administrative	314,163	366,940	(52,777)
Wet Utilities	2,386,750	2,032,607	354,143
Depreciation	583,773	490,799	92,974
Total operating expenses	<u>3,284,686</u>	<u>2,890,346</u>	<u>394,340</u>
Operating income	94,421	335,420	(240,999)
Nonoperating revenues/expenses	604,386	638,810	(34,424)
Capital contributions	793,535	157,705	635,830
Change in net position	1,492,342	1,131,935	360,407
Net position, beginning of year	<u>9,680,645</u>	<u>8,548,710</u>	<u>1,131,935</u>
Net position, end of year	<u>\$ 11,172,987</u>	<u>\$ 9,680,645</u>	<u>\$ 1,492,342</u>

Riverbend's total operating revenues increased by \$153,341 in fiscal year 2018 from the 2017 revenue. Charges for services fees for fiscal year 2018 of \$3,349,857 were increased from fiscal year 2017 of \$3,052,742 by \$297,115. Supplemental contribution income for the fiscal year 2018 decreased by (\$120,000). Other operating revenues for the fiscal year 2018 decreased by (\$23,774). Riverbend's combined operating expenses increased by \$394,340 for a fiscal year 2018 total of \$3,284,686. The Administrative fund's operating expenses decreased (\$52,777) and the Wet Utilities fund operating expenses increased \$354,143. Depreciation expense increased by \$92,974.

Capital Assets

Riverbend's capital assets as of September 30, 2018 amount to \$16,468,686. 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 totaling \$3,342,233.

CAPITAL ASSETS, NET OF DEPRECIATION

	2018	2017
Computer equipment	\$ 477	\$ 749
Equipment	177,527	129,801
Utility system	12,709,058	12,330,861
Intangible assets	239,391	245,760
Construction in progress	3,342,233	819,973
Total capital assets	<u>\$ 16,468,686</u>	<u>\$ 13,527,144</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, 2018 totaled \$10,725,000.

Economic Factors and Next Year's Budget

The economic position of Riverbend Water Resources District (District or Riverbend) for 2017-2018 continued to improve further in its second full year of operations of the Wet Utilities at the Red River Army Depot (RRAD) and TexAmericas Center (TAC). The District continued its dual roles as both a planning entity and a provider/operator for water and wastewater services in the region. The District completed a number of important planning studies and anticipates continued future planning efforts for the region and its infrastructure needs.

In 2017-2018, Riverbend completed the first phase of its Regional Water Master Plan for the Northeast Texas region. This extensive planning at the local level began in June 2016 and finished in July 2018. The two-year planning endeavor included 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. A second cost-estimate was performed by AECOM resulting in a recommendation of approximately \$200M in regional water infrastructure improvements, including a new intake at Wright Patman Lake, a new raw water line to the TexAmericas Industrial Park, and a new Regional Water Treatment Facility to be owned and operated by Riverbend.

The District continued work with each of its individual member entities on the NewGen 2018 Water and Wastewater Rates Study. The 2018 Rates Study provided a 10-year cash flow analysis to the District on the cost per 1,000 gallons of potable water to the region that would support the new regional water infrastructure, resulting in a recommended additional rate of \$1.50/1,000 gallons for years 1-3, \$2.50/1,000 gallons for years 4-6, and approximately \$3.25/1,000 gallons for years 7-10. Riverbend will continually update this cash flow analysis to provide the most up-to-date cost on regional water infrastructure. The District also continued to engage its member entities in helping with their individual municipal rate structures.

Riverbend also supported a number of other utilities and studies including, but not limited to the following highlights:

- Secured a memo from US Army Corps of Engineers confirming Texarkana contract price, reducing the amount due from \$31M (original contract with compounded interest to-date) down to \$6.1M (original contract price only);
- Amended Texarkana water rights permit to include the location of the new intake being permitted anywhere on the perimeter of the reservoir;
- Secured language in WRDA 2018 relating to the continued implementation of the URC; and
- Completed transfer of TAC-East Infrastructure from the City of Texarkana, TX to Riverbend Water Resources District in January 2018.

Riverbend also 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 capped at 5%. This number rose to 6.14% through a transparent process showing actual costs expended.

Finally, the District continues to serve 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 continues to meet with the USACE on a number of occasions and will further develop contact with the Dallas Division.

Financially, the District's net position grew by \$1,492,342 to \$11,172,987 from a previous year's net position of \$9,680,645 with an operating budget just over \$3,000,000. Riverbend has continued to collect payments from the military within 30 to 60 days of invoice. The District continues to examine residential and commercial 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 for future bond payments, as well as 45 days of operations, in order to protect the financial stability of the District.

Riverbend has the following studies and activities that it anticipates finalizing in fiscal year 2018-2019, as follows:

- A Water Availability Model updating the information on the entire Sulphur Basin for the State of Texas;
- A Volumetric and Sedimentation Study on Wright Patman Lake co-funded by the Sulphur River Basin Authority and Riverbend Water Resources District;
- A Wastewater Treatment Feasibility Study for the City of Hooks, Texas;
- An Industrial Wastewater Feasibility Study for the RRAD;
- GIS Mapping of the Riverbend CCN footprint for water and wastewater operations;
- Rehabilitation of drying beds at the Ron Collins Wastewater Treatment Facility; and
- Anticipated completion of the construction of two half-million-gallon ground storage tanks in February 2019.

Riverbend's focus for the 2018-2019 Fiscal Year will be the undertaking of a large bond issuance package with respect to new regional water infrastructure. The overall bond package will need to be supported by new Water Supply Contracts between Riverbend and each individual Member Entity, as well as regional water rates supported by those entities. Bond issuance over the next 4-5 years is estimated in the following timeline:

- | | |
|----------------|---------------------|
| - FY 2018-2019 | \$15M bond issuance |
| - FY 2019-2020 | \$75M bond issuance |
| - FY 2020-2021 | \$15M bond issuance |
| - FY 2021-2022 | \$75M bond issuance |

Ultimately, bond issuance will depend on the schedule of certain stages of the projects, and most importantly, the financial support of the State of Texas through the Texas Water Development Board and its numerous incentivized financial programs that can reduce the cost of issuance and long-term interest rates, potentially saving our region \$30 million over the life of the bonds on the project.

Riverbend will continue to work with Member Entities on sampling and service contracts, as needed; identifying future CIP for the military for the next five to seven years; and working towards resolution with the USACE on cultural resource studies tied to the implementation of the Ultimate Rule Curve.

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.

Basic Financial Statements

RIVERBEND WATER RESOURCES DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

September 30, 2018

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ 494,773	\$ 1,507,405	\$ 2,002,178
Accounts receivable	18,260	362,469	380,729
Due from other fund	611	-	611
Restricted assets:			
Cash restricted for bond debt reserves	-	1,833,058	1,833,058
Cash restricted for construction - bond proceeds	-	1,808,858	1,808,858
Cash restricted for planning & acquisition - bond proceeds	-	12,310	12,310
Total current assets	<u>513,644</u>	<u>5,524,100</u>	<u>6,037,744</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Computer equipment	477	-	477
Equipment	-	177,527	177,527
Utility system	-	12,709,058	12,709,058
Intangible assets	-	239,391	239,391
Construction in progress	-	3,342,233	3,342,233
Total capital assets	<u>477</u>	<u>16,468,209</u>	<u>16,468,686</u>
Total noncurrent assets	<u>477</u>	<u>16,468,209</u>	<u>16,468,686</u>
TOTAL ASSETS	<u>514,121</u>	<u>21,992,309</u>	<u>22,506,430</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,060	209,010	231,070
Retainage payable	-	97,672	97,672
Payroll liabilities	-	18,910	18,910
Due to other fund	-	611	611
Accrued interest payable	-	204,191	204,191
Accrued compensated absences - current	-	15,651	15,651
Revenue bonds payable - current	-	680,000	680,000
Total current liabilities	<u>22,060</u>	<u>1,226,045</u>	<u>1,248,105</u>
Noncurrent liabilities:			
Accrued compensated absences - long term	-	40,338	40,338
Revenue bonds payable - long term	-	10,045,000	10,045,000
Total noncurrent liabilities	<u>-</u>	<u>10,085,338</u>	<u>10,085,338</u>
TOTAL LIABILITIES	<u>22,060</u>	<u>11,311,383</u>	<u>11,333,443</u>
NET POSITION			
Net investment in capital assets	477	6,581,625	6,582,102
Restricted for bond reserves	-	1,833,058	1,833,058
Restricted for construction	-	1,808,858	1,808,858
Restricted for planning and acquisition	-	12,310	12,310
Unrestricted	491,584	445,075	936,659
TOTAL NET POSITION	<u>\$ 492,061</u>	<u>\$ 10,680,926</u>	<u>\$ 11,172,987</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, 2018

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services:			
Member fees	\$ 197,728	\$ -	\$ 197,728
Army volumetric charge		2,590,774	2,590,774
Army water supply charge		248,866	248,866
Commercial & residential charge		312,489	312,489
Other revenue	20,476	8,774	29,250
Total operating revenues	218,204	3,160,903	3,379,107
OPERATING EXPENSES			
Advertising	1,330	-	1,330
Accounting & audit	14,277	-	14,277
Analyticals	-	82,511	82,511
Community relations	5,040	-	5,040
Conferences & seminars	3,595	-	3,595
Consulting	154,913	9,000	163,913
Dues & memberships	2,089	-	2,089
Engineering services	18,475	-	18,475
Equipment maintenance, repair & fuel	-	33,339	33,339
Insurance	-	21,185	21,185
Legal & professional fees	4,725	-	4,725
Materials	-	212,358	212,358
Meetings expense	4,621	-	4,621
Office supplies and expense	1,225	-	1,225
Permits	-	24,268	24,268
Repairs	-	207,187	207,187
Salaries, wages, payroll taxes & benefits	90,546	774,977	865,523
Supplies & materials	-	26,772	26,772
Travel & training	6,666	11	6,677
Utilities	1,007	125,597	126,604
Waste disposal	-	55,388	55,388
Water purchase cost	-	357,728	357,728
Web design & maintenance	2,335	-	2,335
Wastewater services - Hooks & Maud	2,824	-	2,824
Miscellaneous	495	471	966
Overhead allocation - water		136,787	136,787
Overhead allocation - wastewater		182,383	182,383
Overhead allocation - industrial wastewater		136,788	136,788
Total operating expenses	314,163	2,386,750	2,700,913
Operating income (loss) before depreciation	(95,959)	774,153	678,194
Depreciation	272	583,501	583,773
Operating income (loss)	(96,231)	190,652	94,421
NONOPERATING REVENUES (EXPENSES)			
Facility charges revenue	-	1,148,078	1,148,078
Interest revenue	-	37,349	37,349
Other revenue	50,000	81,580	131,580
Interest expense	-	(445,946)	(445,946)
Franchise fees expense	-	(91,963)	(91,963)
Special projects expense	(174,712)	-	(174,712)
Total nonoperating revenues (expenses)	(124,712)	729,098	604,386
Income (loss) before capital contributions and transfers	(220,943)	919,750	698,807
Capital contributions	-	793,535	793,535
Transfers in (out)	430,000	(430,000)	-
Change in net position	209,057	1,283,285	1,492,342
Net position, beginning of year	283,004	9,397,641	9,680,645
Net position, end of year	\$ 492,061	\$ 10,680,926	\$ 11,172,987

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, 2018

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from customers	\$ 231,564	\$ 3,480,264	\$ 3,711,828
Cash paid to suppliers	(209,823)	(1,536,305)	(1,746,128)
Cash paid to employees	(90,546)	(763,981)	(854,527)
Net cash provided (used) by operating activities	(68,805)	1,179,978	1,111,173
Cash flows from noncapital financing activities:			
Net increase (decrease) in interfund receivable/liability accounts	8,134	(8,134)	-
Other revenue receipts	50,000	81,580	131,580
Other nonoperating expenses paid	(174,712)	(91,963)	(266,675)
Operating transfer in (out)	430,000	(430,000)	-
Net cash provided (used) by noncapital financing activities	313,422	(448,517)	(135,095)
Cash flows from financing activities:			
Receipt of facility charges revenues		1,148,078	1,148,078
Acquisition and construction of capital assets		(2,731,780)	(2,731,780)
Interest expense paid		(457,171)	(457,171)
Bonded debt principal reduction		(650,000)	(650,000)
Net cash provided (used) by financing activities	-	(2,690,873)	(2,690,873)
Cash flows from investing activities:			
Interest revenue received		37,349	37,349
Net cash provided (used) by investing activities	-	37,349	37,349
Net increase(decrease) in cash	244,617	(1,922,063)	(1,677,446)
Cash, beginning of year	250,156	7,083,694	7,333,850
Cash, end of year	494,773	5,161,631	5,656,404
Cash consists of:			
Unrestricted cash	494,773	1,507,405	2,002,178
Cash restricted for bonded debt purposes	-	1,833,058	1,833,058
Cash restricted for construction - bond proceeds	-	1,808,858	1,808,858
Cash restricted for planning & acquisition - bond proceeds	-	12,310	12,310
Total cash	494,773	5,161,631	5,656,404
Reconciliation of net income to net cash provided by operating activities			
Operating income (loss)	\$ (96,231)	\$ 190,652	\$ 94,421
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	272	583,501	583,773
(Increase) decrease in current assets:			
Accounts receivable	13,360	319,361	332,721
Increase (decrease) in current liabilities:			
Accounts payable	13,794	75,468	89,262
Payroll liabilities	-	1,602	1,602
Accrued compensated absences	-	9,394	9,394
Total adjustments	27,426	989,326	1,016,752
Net cash provided (used) by operating activities	\$ (68,805)	\$ 1,179,978	\$ 1,111,173

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, 2018

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 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 WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

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. 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

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

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 6 months and worked 1,040 hours. The maximum allowable accumulation of vacation leave is five weeks (200 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. The maximum allowable accumulation of sick leave is 550 hours for employees employed as of June 8, 2016. For employees employed after June 8, 2016, the maximum allowable accumulation of sick leave is 250 hours. 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 2018, Riverbend recognized capital contributions of \$793,535 in the Wet Utility Fund that consisted of a fee of \$155,875 charged to the Army for the construction of capital assets and capital contributions of \$637,660 for TAC East System.

9. Net Position

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

10. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make 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.

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 FDIC up to a maximum of \$250,000. Riverbend requires collateralized securities for the excess over FDIC coverage. The deposits were fully insured by FDIC or additional coverage of pledged securities.

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

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, 2018:

<u>Type</u>	<u>Financial Institution</u>	<u>Fair Value</u>
Cash	State Bank of DeKalb	\$ 5,161,631
Cash	Bank of Texas	494,773

NOTE 4 – ACCOUNTS RECEIVABLE

Riverbend's accounts receivable as of September 30, 2018 was \$380,729. Riverbend considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is recorded. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Reclassifications/ Retirements</u>	<u>Balance September 30, 2018</u>
Capital assets, not being depreciated				
Construction in progress	\$ 819,973	\$ 2,522,260	\$ -	\$ 3,342,233
Capital assets, being depreciated				
Computer equipment	1,362			1,362
Equipment	145,597	74,073		219,670
Utility systems	12,994,977	928,982		13,923,959
Intangible assets	254,784			254,784
Total capital assets, being depreciated	13,396,720	1,003,055	-	14,399,775
Less accumulated depreciation for:				
Computer equipment	(613)	(272)		(885)
Equipment	(15,796)	(26,347)		(42,143)
Utility systems	(664,116)	(550,785)		(1,214,901)
Intangible assets	(9,024)	(6,369)		(15,393)
Total accumulated depreciation	(689,549)	(583,773)	-	(1,273,322)
Total capital assets, being depreciated	12,707,171	419,282	-	13,126,453
Total capital assets, net	\$ 13,527,144	\$ 2,941,542	\$ -	\$ 16,468,686

Riverbend had several construction projects in process during the year ended September 30, 2018. The Water Booster Station and Storage Tank project had accumulated \$2,657,386 of construction in progress cost at September 30, 2018. The Regional Planning Master Study and Rate Study had accumulated \$578,536 of construction in progress cost at September 30, 2018. The drying bed rehab project had accumulated \$56,711 of construction in progress cost at September 30, 2018. The GIS mapping project had accumulated \$49,600 of construction in progress cost at September 30, 2018. Riverbend acquired TAC East Systems for \$928,980 during the year ended September 30, 2018. A capital contribution of \$637,660 for TAC East Systems is reflected in the financial statements.

Total depreciation expense of \$583,773 was included in operating expenses.

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

NOTE 6 – LONG-TERM OBLIGATIONS

Long-term debt at September 30, 2018 is comprised of the following:

	<i>Rate of Interest</i>	<i>Original Issue</i>	<i>Outstanding Sept 30, 2018</i>
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	\$ 4,625,000
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%	6,685,000	6,100,000
Total bonded indebtedness		\$ 11,610,000	10,725,000
Less current maturities			(680,000)
Total long-term debt			\$ 10,045,000

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 \$16,076,782. Riverbend made \$650,000 of principal payment and \$457,171 of interest payments during the fiscal year ended September 30, 2018. Riverbend incurred \$445,946 of interest expense during the year ended September 30, 2018.

Annual requirements to amortize Riverbend's revenue bonds outstanding at September 30, 2018 including interest payments are as follows:

<i>Requirements Year Ending September 30</i>	<i>Water and Wastewater System Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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
2024-2028	2,180,000	1,615,635	3,795,635
2029-2033	2,050,000	960,224	3,010,224
2034-2038	885,000	534,527	1,419,527
2039-2043	1,100,000	310,080	1,410,080
2044-2046	790,000	55,176	845,176
	<u>\$ 10,725,000</u>	<u>\$ 5,351,782</u>	<u>\$ 16,076,782</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, 2018:

	<i>Beginning Balance October 1, 2017</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance Sept. 30, 2018</i>	<i>Due Within One Year</i>
Revenue bonds	\$ 11,375,000	\$ -	\$ (650,000)	\$ 10,725,000	\$ 680,000
Accrued compensated absences	46,595	9,394	-	55,989	15,651
Total	<u>\$ 11,421,595</u>	<u>\$ 9,394</u>	<u>\$ (650,000)</u>	<u>\$ 10,780,989</u>	<u>\$ 695,651</u>

NOTE 7 – 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, 2018 totaled \$85,089 and \$64,846, respectively.

NOTE 8 – 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.

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

During the fiscal year ended September 30, 2018, a payable of \$611 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. During the fiscal year ended September 30, 2018, the WET Utilities Fund transferred \$430,000 to the Administrative Fund. The transfers of \$130,000 was planning and acquisition funds for the WAM and the Hooks Feasibility study. The transfer of \$300,000 was for future planning studies.

NOTE 10 – 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.

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

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 Revenue Bonds Taxable Series 2016A and \$6,685,000 Revenue Bonds Taxable Series 2016B 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 11 – 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.

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 12 – 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 167, 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, 2018 was \$95,694. The cumulative TAC rental water credits are included in the schedule in Note 14.

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

NOTE 13 – 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, 2018, Riverbend paid franchise fees of \$91,963.

NOTE 14 – 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.

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>2018</i>	<i>2017</i>	<i>2016</i>	<i>Prior Years</i>	<i>Total</i>
City of Annona	\$ 350	\$ 689	\$ 734	\$ 1,317	\$ 3,090
City of Atlanta	15,622	21,997	30,583	45,877	114,079
City of Avery	1,054	1,292	2,287	3,723	8,356
City of DeKalb	3,218	5,385	7,650	12,671	28,924
City of Hooks	7,238	12,645	13,956	22,311	56,150
City of Leary	807	1,238	1,747	2,939	6,731
City of Maud	1,881	3,160	4,946	7,774	17,761
City of Nash	4,450	6,656	9,242	11,947	32,295
City of New Boston	17,944	26,369	35,367	58,663	138,343
City of Redwater	6,224	8,818	10,387	13,116	38,545
City of Texarkana, TX	120,039	196,878	276,759	381,428	975,104
City of Wake Village	7,297	12,726	17,012	27,162	64,197
TexAmericas Center	-	-	20,444	39,854	60,298
TexAmericas Center Rental Credit	32,845	31,889	30,960	-	95,694
Wet Utilities Fund	11,960	24,260	3,369	-	39,589
Total	<u>\$ 230,929</u>	<u>\$ 354,002</u>	<u>\$ 465,443</u>	<u>\$ 628,782</u>	<u>\$ 1,679,156</u>

NOTE 15 – 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 is 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*

RIVERBEND WATER RESOURCES DISTRICT

Notes to Financial Statements continued.

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 is effective for the fiscal year ending September 30, 2018. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. The Statement requires that a government that receives resources pursuant to an irrevocable split-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 16 – SUBSEQUENT EVENTS

In preparing these financial statements, management of Riverbend has evaluated events and transactions for potential recognition or disclose through February 18, 2019, the date the financial statements were available to be issued.

Supplementary Information
Required by Texas Commission on Environmental Quality

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE ADMINISTRATIVE FUND For the Year Ended September 30, 2018

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
OPERATING REVENUES				
Charges for services	\$ 190,000	\$ 190,000	\$ 197,728	\$ 7,728
Other revenues	-	18,338	20,476	2,138
Total operating revenues	190,000	208,338	218,204	9,866
OPERATING EXPENSES				
Advertising	1,400	1,400	1,330	70
Accounting & audit	10,000	9,500	14,277	(4,777)
Community relations	5,000	5,000	5,040	(40)
Conferences & seminars	4,000	4,000	3,595	405
Consulting	200,000	190,000	154,913	35,087
Dues & memberships	2,235	2,735	2,089	646
Engineering services	45,000	20,000	18,475	1,525
Legal & professional fees	7,500	7,500	4,725	2,775
Meetings expense	3,900	3,900	4,621	(721)
Office supplies & expense	1,800	1,800	1,225	575
Salaries, wages & benefits	81,534	92,534	90,546	1,988
Subscriptions	900	900	430	470
Travel & training	10,000	9,000	6,666	2,334
Utilities	2,400	2,400	1,007	1,393
Web design & maintenance	4,000	4,000	2,335	1,665
Wastewater services - Hooks & Maud	-	5,500	2,824	2,676
Miscellaneous	300	300	65	235
Total operating expenses before depreciation	379,969	360,469	314,163	46,306
Depreciation	-	-	272	(272)
Total operating expenses	379,969	360,469	314,435	46,034
Income (loss) before intergovernmental revenues, special projects expense and transfers	(189,969)	(152,131)	(96,231)	55,900
Intergovernmental revenues	-	-	50,000	50,000
Special projects expense	-	(256,000)	(174,712)	81,288
Transfer in	-	430,000	430,000	-
Change in net position	(189,969)	21,869	209,057	187,188
Net position, beginning of year	283,004	283,004	283,004	-
Net position, end of year	\$ 93,035	\$ 304,873	\$ 492,061	\$ 187,188

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE WET UTILITIES FUND For the Year Ended September 30, 2018

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
OPERATING REVENUES				
Charges for services	\$ 3,071,417	\$ 3,111,417	\$ 3,152,129	\$ 40,712
Other revenue			8,774	8,774
Total operating revenues	<u>3,071,417</u>	<u>3,111,417</u>	<u>3,160,903</u>	<u>49,486</u>
OPERATING EXPENSES				
Analytical	150,000	135,000	82,511	52,489
Consulting	60,000	60,000	9,000	51,000
Equipment maintenance, repair & fuel	43,000	43,000	33,339	9,661
Equipment rental	11,000	11,000	100	10,900
Insurance	39,000	39,000	21,185	17,815
Materials	143,000	207,400	212,358	(4,958)
Miscellaneous	12,000	12,000	382	11,618
Permits	55,000	43,600	24,268	19,332
Pretreatment Building 362	82,500	-	-	-
Repairs	289,000	333,500	207,187	126,313
Salaries, wages, payroll taxes & benefits	925,158	925,158	774,977	150,181
Supplies & materials	49,200	49,200	26,772	22,428
Utilities	161,000	176,000	125,597	50,403
Waste disposal	60,000	60,000	55,388	4,612
Water purchase cost	352,426	387,426	357,728	29,698
Overhead allocation - water	130,629	130,629	136,787	(6,158)
Overhead allocation - wastewater	174,173	174,173	182,383	(8,210)
Overhead allocation - industrial wastewater	130,629	130,629	136,788	(6,159)
Total operating expenses	<u>2,867,715</u>	<u>2,917,715</u>	<u>2,386,750</u>	<u>530,965</u>
Operating income (loss) before depreciation	203,702	193,702	774,153	580,451
Depreciation	-	-	583,501	(583,501)
Operating income (loss)	<u>203,702</u>	<u>193,702</u>	<u>190,652</u>	<u>(3,050)</u>
NONOPERATING REVENUES (EXPENSES)				
Facility charges revenues	1,230,131	1,230,131	1,148,078	(82,053)
Interest revenue	40,000	40,000	37,349	(2,651)
Other revenue	123,203	123,203	81,580	(41,623)
Interest expense	(408,271)	(408,271)	(445,946)	(37,675)
Franchise fees expense	(92,143)	(92,143)	(91,963)	180
Total nonoperating revenues (expenses)	<u>892,920</u>	<u>892,920</u>	<u>729,098</u>	<u>(163,822)</u>
Income (loss) before capital contributions and transfers	1,096,622	1,086,622	919,750	(166,872)
Capital contributions		-	793,535	793,535
Transfers in (out)	-	(430,000)	(430,000)	-
Change in net position	1,096,622	656,622	1,283,285	626,663
Net position, beginning of year	<u>9,397,641</u>	<u>9,397,641</u>	<u>9,397,641</u>	<u>-</u>
Net position, end of year	<u>\$ 10,494,263</u>	<u>\$ 10,054,263</u>	<u>\$ 10,680,926</u>	<u>\$ 626,663</u>

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES For the Year Ended September 30, 2018

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	_____	73	_____	_____
Total Wastewater	_____	61	x 1.0	_____

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION SCHEDULE OF SERVICES AND RATES (CONTINUED) For the Year Ended September 30, 2018

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

Gallon pumped into system:	283,627,480	Water Accountability Ratio: (Gallons billed/Gallon pumped)
Gallons billed to customers:	283,627,480	_____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, 2018

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	7.00	-	-
Facility charge					
Water	-	3.25	2.75	2.50	-
Sewer	3.25	3.25	2.75	-	-
Total charge (\$/1,000)	10.25	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, 2018

	<i>Administrative Fund</i>	<i>Wet Utilities Fund</i>	<i>Total</i>
Personnel Expenses (including benefits)*	\$ 90,546	\$ 1,151,816	\$ 1,242,362
Professional Fees:			
Auditing and financial consulting	14,277	23,280	37,557
Legal	4,725	7,855	12,580
Consulting	154,913	9,000	163,913
Engineering services	18,475	-	18,475
Purchased Services for Resale:			
Water purchase cost	-	357,728	357,728
Utilities	1,007	125,597	126,604
Repairs and Maintenance:			
Analytical	-	82,511	82,511
Repairs & maintenance - equipment	-	33,339	33,339
Repairs & maintenance - utility system	-	207,187	207,187
Supplies and materials	-	212,358	212,358
Insurance	-	24,268	24,268
Waste disposal	-	55,388	55,388
Administrative Expenses:			
Office supplies & expenses	1,225	49,403	50,628
Utilities	-	25,153	25,153
Insurance	-	21,385	21,385
Franchise fees	-	91,963	91,963
Other administrative expenses	28,995	482	29,477
Other Expenditures			
Depreciation	272	583,501	583,773
Interest expense	-	445,946	445,946
TOTAL EXPENSES	\$ 314,435	\$ 3,508,160	\$ 3,822,595

* Number of persons employed by the District: 15 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, 2018

<i>Due During Fiscal Year Ending</i>	<i>Series 2016A</i>		<i>Total</i>
	<i>Principal Due 10/15</i>	<i>Interest Due 10/15, 4/15</i>	
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
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>\$ 4,625,000</u>	<u>\$ 3,345,138</u>	<u>\$ 7,970,138</u>

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS

SERIES 2016B - BY YEARS

For the Year Ended September 30, 2018

<i>Due During Fiscal Year Ending</i>	<i>Series 2016B</i>		<i>Total</i>
	<i>Principal Due 10/15</i>	<i>Interest Due 10/15, 4/15</i>	
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
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>\$ 6,100,000</u>	<u>\$ 2,006,644</u>	<u>\$ 8,106,644</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, 2018

<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	-	-	-
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>\$ 10,725,000</u>	<u>\$ 5,351,782</u>	<u>\$ 16,076,782</u>

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGE IN LONG-TERM BONDED DEBT For the Year Ended September 30, 2018

		<i>Bond Issues</i>		
		<i>Series</i> <i>2016A</i>	<i>Series</i> <i>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		4,725,000	6,650,000	11,375,000
Bonds sold during the fiscal year		-	-	-
Bonds retires during the fiscal year		(100,000)	(550,000)	(650,000)
Ending Bonds Outstanding		<u>\$ 4,625,000</u>	<u>6,100,000</u>	<u>10,725,000</u>
Interest paid during the fiscal year		\$ 187,453	\$ 270,300	\$ 457,753
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, 2018:		\$ 1,833,058		
Cash restricted for construction as of September 30, 2018:		\$ 1,808,858		
Unspent bond funds for planning & acquisition as of September 30, 2018:		\$ 12,310		
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 574,171		

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - FIVE YEARS ENDED

Last Five Years

	Amounts				
	(Audited) 2018	(Audited) 2017	(Audited) 2016 Restated	(Audited) 2015	(Audited) 2014
OPERATING REVENUES					
Charges for services	\$ 3,349,857	\$ 3,052,742	\$ 1,320,363	\$ 202,773	\$ 205,430
Supplemental member contributions	-	120,000	236,138		
Consulting fees	-	-	15,000	15,000	
Intergovernmental revenue	-	-	-		25,000
Other revenues	29,250	53,024	167		
Total operating revenues	<u>3,379,107</u>	<u>3,225,766</u>	<u>1,571,668</u>	<u>217,773</u>	<u>230,430</u>
OPERATING EXPENSES					
Accounting & audit	37,557	36,963	35,952	19,451	19,550
Analyticals	82,511	101,904	47,914		
Community relations	5,040	4,268	-		
Conferences & seminars	3,595	2,291	-	1,023	2,951
Consulting	163,913	196,228	160,885	27,000	52,825
Dues and memberships	2,089	1,818	-	1,280	893
Engineering services	18,475	58,193	-	20,991	111,117
Insurance	24,268	27,298	7,228	2,574	2,607
Legal and professional fees	12,580	25,478	14,285	19,936	8,976
Meetings	4,621	3,636	-	1,726	3,536
Miscellaneous	5,120	1,791	3,385		1,210
Office supplies & expense	50,628	12,959	25,419	10,832	6,730
Office administrative expenses	22,270	-	3,303	6,600	6,600
Permits	24,268	36,680	-		
Repairs & maintenance - equipment	33,339	15,308	8,386		
Repairs & maintenance	207,187	175,738	81,031		
Salaries, wages, payroll taxes & benefits	1,242,362	1,062,691	440,202	149,922	164,796
Start up costs	-	-	30,810		
Supplies & materials	212,358	179,122	69,133		
Travel & training	6,677	13,373	11,426	1,535	2,765
Utilities	126,604	122,260	48,026		
Waste disposal	55,388	36,545	14,662		
Water purchase cost	357,728	280,382	70,821		
Termination benefits	-	-	-	65,000	
Web design and maintenance	2,335	4,621	-	1,350	2,610
Depreciation	583,773	490,799	198,682	68	
Total operating expense	<u>3,284,686</u>	<u>2,890,346</u>	<u>1,271,550</u>	<u>329,288</u>	<u>387,166</u>
Operating income (loss)	<u>94,421</u>	<u>335,420</u>	<u>300,118</u>	<u>(111,515)</u>	<u>(156,736)</u>
NONOPERATING REVENUES (EXPENSES)					
Facility charges	1,148,078	1,143,681	467,438		
Interest income	37,349	42,018	16,717	3	397
Other income	131,580	33,397	-		
Interest expense	(445,946)	(486,992)	(182,882)		
Franchise fees expense	(91,963)	(84,424)	(33,477)		
Special projects expense	(174,712)	(8,870)	-		
Bond issuance costs	-	-	(302,263)		
Total nonoperating revenues (expenses)	<u>604,386</u>	<u>638,810</u>	<u>(34,467)</u>	<u>3</u>	<u>397</u>
Income (loss) before capital contributions	698,807	974,230	265,651	(111,512)	(156,339)
Capital contributions	793,535	157,705	27,030		
Acquisition of wet utilities facility	-	-	8,236,939		
Change in net position	<u>\$ 1,492,342</u>	<u>\$ 1,131,935</u>	<u>\$ 8,529,620</u>	<u>\$ (111,512)</u>	<u>\$ (156,339)</u>

Percent of Fund Total Revenues				
(Audited) 2018	(Audited) 2017	(Audited) 2016 Restated	(Audited) 2015	(Audited) 2014
99.1%	94.6%	84.0%	93.1%	89.2%
-	-	15.0		
-	-	1.0	6.9	
-	-	-		10.8
0.9	1.6	0.0		
100.0	100.0	100.0	100.0	100.0
1.2	1.1	2.3	8.9	8.5
2.6	3.2	3.0		
0.2	0.1	-		
0.1	0.1	-	0.5	1.3
5.1	6.1	10.2	12.4	22.9
0.1	0.1	-	0.6	0.4
0.6	1.8	-	9.6	48.2
0.8	0.8	0.5	1.2	1.1
0.4	0.8	0.9	9.2	3.9
0.1	0.1	-	0.8	1.5
0.2	0.1	0.2		0.5
1.6	0.4	1.6	5.0	2.9
0.7	-	0.2	3.0	2.9
0.8	1.1	-		
1.0	0.5	0.5		
6.4	5.4	5.2		
38.5	32.9	28.0	68.8	71.5
-	-	2.0		
6.6	5.6	4.4		
0.2	0.4	0.7	0.7	1.2
3.9	3.8	3.1		
1.7	1.1	0.9		
11.1	8.7	4.5		
-	-	-	29.8	
0.1	0.1	-	0.6	1.1
18.1	15.2	12.6	0.0	
101.8	89.6	80.9	151.2	168.0
2.8	10.4	19.1	(51.2)	(68.0)
35.6	35.5	29.7		
1.2	1.3	1.1	0.0	0.2
4.1	1.0	-		
(13.8)	(15.1)	(11.6)		
(2.9)	(2.6)	(1.0)		
(5.4)	(0.3)	-		
-	-	(19.2)		
18.7	19.8	(1.1)	0.0	0.2
21.7	30.2	16.9	(51.2)	(67.8)
24.6	4.9	1.7		
-	-	524.1		
44.2%	35.1%	542.7%	-51.2%	-67.8%

RIVERBEND WATER RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION LIST OF BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS For the Year Ended September 30, 2018

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 09/30/2018)</u>	<u>Expense Reimbursements (FYE 9/30/2018)</u>	<u>Title at Year End</u>
Board Members:				
Marshall Wood	(Appointed) 01/2016-12/2019	\$ -	\$ -	President
Fred Milton	(Appointed) 01/2016-12/2019	\$ -	\$ 134 **	Vice President
Sean Rommel	(Appointed) 01/2015-12/2018	\$ -	\$ -	Secretary
Kelly Mitchell	(Appointed) 01/2015-03/2018	\$ -	\$ 542 **	
Sonja Yates Hubbard	(Appointed) 03/2018-12/2018	\$ -	\$ - **	Treasurer
Jim Green	(Appointed) 01/2015-12/2018	\$ -	\$ -	At-Large
Key Administrative Personnel:				
Elizabeth Fazio	8/31/2015	\$ 171,090 ***	\$ 4,495 **	Executive Director
Consultants:				
Cross Oak Group	3/4/2013	\$ 50,000		Consultant
Larry D. Meyers	8/13/2015	\$ 68,947		Consultant
RSAH20, LLC	12/1/2016	\$ 26,325		Consultant
Delisi Communications	10/1/2017	\$ 10,400		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

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, 2018, and the related notes to the financial statements, which collectively comprise the Riverbend's basic financial statements, and have issued our report thereon dated February 18, 2019.

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 2018-001.

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.



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

February 18, 2019

RIVERBEND WATER RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended September 30, 2018

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2018-001

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. Interfund receipt related to reimbursement for expenditure was not recorded in the amount of \$22,539.
2. Capital assets of \$74,073 (2 trucks), \$56,711 (drying bed rehab), and \$49,600 (GIS mapping) were recorded as expenditures instead of recording the transactions as capital assets.

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 adjustments related to interfund transactions and asset capitalization policies were 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. Additional controls and practices implemented include 1) filling, as planned, the Senior Accountant position (CPA required), 2) the Senior Accountant will routinely review all expenditures with appropriate personnel to ensure proper recording of all transactions, and 3) if necessary, the Senior Accountant will consult with auditor.

RIVERBEND WATER RESOURCES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended September 30, 2018

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.

A similar finding was reported in the 2018 Audit.