

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
RIVERBEND WATER RESOURCES DISTRICT  
*Year ended September 30, 2013*

# RIVERBEND WATER RESOURCES DISTRICT

## Financial Statements

Year ended September 30, 2013

### Contents

Annual filing affidavit.....	1
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#### **Financial Section**

Independent auditors' report .....	3
Management's discussion and analysis.....	6

#### **Financial statements:**

Balance sheet – Proprietary Fund Types – Enterprise Funds.....	10
Statement of revenues, expenditures, and changes in fund equity	
Proprietary Fund Types – Enterprise Funds.....	11
Statement of cash flows – Proprietary Fund Types – Enterprise Funds .....	12
Notes to financial statements .....	13

#### **Required Supplementary Information**

Statement of revenues, expenditures and changes in fund equity	
Budget and actual - Proprietary Fund Types – Enterprise Fund .....	22

#### **Other Information**

Index of supplemental schedules required by the Texas Commission	
On Environmental Quality .....	24
Comparative schedule of revenues and expenses – five years.....	25
Board members, key personnel, and consultant.....	26

# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS  
COUNTRY OF Bowie

I, Scott L. Albert 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 15<sup>th</sup> day of May, 2014, its annual audit report for the fiscal year or period ended September 30, 2013 and that copies of the annual audit report have been filed in the district office, located at 28 Morris Lane Suite 118 Texarkana, TX 75503.

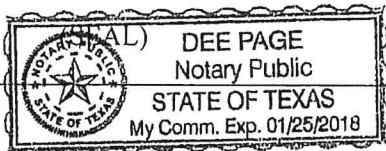
(Address of District)

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: June 3, 2014 By: Scott L. Davis  
(Signature of District Representative)

Scott L. Albert, Executive Director  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 3rd day of June, 2014.



*See Page*  
(Signature of Notary)

My Commission Expires On: January 25, 2018. Notary  
Public in the State of Texas.

## **TEXAS WATER CODE SECTION 49.194**

### **Filing of Audits, Affidavits, and Financial Reports**

- (a) After the board has approved the audit, it shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year.
- (b) If the board refuses to approve the annual audit report, the board shall submit a copy of the report to the executive director for filing within 135 days after the close of the district's fiscal year, accompanied by a statement from the board explaining the reasons for its failure to approve the report.
- (c) Copies of the audit, the annual financial dormancy affidavit, or annual financial report described in Sections 49.197 and 49.198 shall be filed annually in the office of the district.
- (d) Each district shall file with the executive director an annual filing affidavit in a format prescribed by the executive director, executed by a duly authorized representative of the board, stating that all copies of the annual audit report, annual financial dormancy affidavit, or annual financial report have been filed under this section.
- (e) The annual filing affidavit shall be submitted with the applicable annual document when it is submitted to the executive director for filing as prescribed by this subchapter.
- (f) The executive director shall file with the attorney general the names of any districts that do not comply with the provisions of this subchapter. <sup>th</sup>  
Added by Acts 1995, 74 Leg., ch. 715, § 2, eff. Sept. 1, 1995.

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

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

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

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

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



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

Michael G. Vail, CPA  
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Don E. Graves, CPA

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American Institute of CPAs  
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Charles T. Gregg, CPA  
Cliff E. Wall, CPA  
Pamela C. Moore, CPA

## **Report of Independent Auditors**

To the Board of Directors  
Riverbend Water Resources District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Riverbend Water Resources District (District), as of and for the year ended September 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

[www.vailknauth.com](http://www.vailknauth.com)

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.

### **Auditors' 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 the District, as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity 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 and the budgetary comparison information on pages 6 – 9 and page 22 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 the District's basic financial statements. The Supplemental Schedules Required by the Texas Commission on Environmental Quality on pages 24 – 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules Required by the Texas Commission on Environmental Quality on pages 24 – 26 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non major governmental fund

financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vail + Knauth, LLP*

Dallas, Texas  
April 1, 2014



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2013**

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

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

#### **Financial Highlights**

- The total assets of the District are \$319,854 and the total liabilities are \$860,472.
- The fund equity (deficit) of the District at the end of the year was \$(540,617) and decreased during the year by 26%.
- The total fund equity of the District decreased by \$110,472 and the total liabilities of the District increased by \$111,529 or 15%.
- The District had an operating loss of \$27,440 for the year. Total operating expenses were \$92,440, and the operating income was \$65,000.
- The District decreased its cash by \$29,455.

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

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

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

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

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

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

#### Overview of Financial Activities and Analysis

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

#### **Condensed Balance Sheet**

	September 30, <u>2013</u>
Current and Other Assets	\$ <u>319,854</u>
Total Assets	<u>319,854</u>
Current Liabilities	<u>860,471</u>
Total Liabilities	<u>860,471</u>
Fund balance Unrestricted	<u>(540,617)</u>
Total Fund Equity	<u>(540,617)</u>
Total Liabilities and Fund Equity	\$ <u>319,854</u>

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

	September 30,	
	<u>2013</u>	
Operating Grants	,000\$	65
Non-operating Revenues		<u>362</u>
Total Revenues	<u>362</u>	<u>65</u>
Operating and Other Expenditures		<u>175,834</u>
Total Expenditures		<u>175,834</u>
Change in Fund Equity	(110,472)	
Beginning Fund Equity (Deficit)	<u>(430,145)</u>	
Ending Fund Equity (Deficit)	\$	<u>(540,617)</u>

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

The overall financial position of the District is very healthy. The operations of the District for the year ended September 30, 2013 produced an increase in the District's Fund Balance.

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

The District's economic position for 2013 remained stable. The estimated gallons of water produced in the region for the year neared six billion gallons which is roughly a nine-percent increase over the previous year. As the region's water needs continue to grow so shall the responsibilities and economic position of the District.

The District during 2013 positioned the organization for taking a lead on regional water treatment and surface water. During the last six months of 2013 the District carried out significant tasks towards reengineering the organization. These tasks ranged from hiring an Executive Director to developing a preliminary business strategy.

The District's budget in 2014 will serve as a financial tool for further strengthening the organizations role and economic position in the region. The District will approve a business plan for the next three to

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

five years. Begin developing a master plan for regional water treatment facilities. Assess excess surface water in Southwest Arkansas and Northeast Texas. Set up business processes for improving the daily works of the District. These tasks with others will guide the Districts economic position for the coming years.

### **Request for Information**

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

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

Riverbend Water Resources District  
Balance Sheet  
Property Fund Types - Enterprise Funds  
September 30, 2013

**Assets**

Current assets:

Cash and cash equivalents	\$ 289,342
Accounts receivable	30,512
	<hr/>
Total current assets	319,854
 Total Assets	 <u>319,854</u>

**Liabilities and Fund Equity**

Current liabilities

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

## Riverbend Water Resources District

Deferred revenue	860,471
	<hr/>
Total Liabilities	<u>860,471</u>
<b>Fund Equity (Deficit)</b>	
Unrestricted	(540,617)
Total Fund Equity (Deficit)	<u>(540,617)</u>
Total Liabilities and Fund Deficit	<u>\$ 319,854</u>

### Riverbend Water Resources District Statement of Revenues, Expenditures, and Changes in Fund Equity Property Fund Types - Enterprise Funds Year Ended September 30, 2013

Operating revenues:	
Operating grants	.000\$ 65
Total operating revenues	,000 65
Operating expenses:	
Operating expenses	92,440
	<hr/>
Operating income (loss)	(27,440)
Nonoperating revenues (expenses)	
Consulting	(32,460)
Legal and professional fees	(46,140)
Travel expenses	,794 (4
Interest income	362
	<hr/>

Total nonoperating revenues (expenses)	(83,032)
Increase (Decrease) in Fund Equity	(110,472)
Fund Equity at Beginning of Year Before Adjustment	(430,145)
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Fund Equity (Deficit) at Beginning of Year After Adjustment	(430,145)
Fund Equity (Deficit) at End of Year	<u>\$ (540,617)</u>
	<hr/>

Riverbend Water Resources District  
Statement of Cash Flows  
Proprietary Fund Types - Enterprise Funds  
Year Ended September 30, 2013

**Operating Activities**

Net income (loss)	\$ (110,472)
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(30,512)
Accounts payable	(123,438)
Prepaid revenue	<u>234,967</u>
Net cash provided by (used in) operating activities	(29,455)
Net change in cash and cash equivalents	(29,455)
Cash at beginning of year	<u>318,797</u>
Cash at end of year	<u>\$ 289,342</u>
	<hr/>

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

# Riverbend Water Resources District

## Notes to Financial Statements September 30, 2013

### **1. Summary of Significant Accounting Policies**

#### **Organization**

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

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

The District currently serves fifteen (15) organizations including the cities of Annona, Atlanta, Avery, De Kalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, TX, Wake Village, counties of Bowie, Red River and the TexAmericas Center. The organizations served by the District desire to procure certain services from the District and participate in the funding of the development of District projects in exchange for a specified fee and dollar-for-dollar credits towards participation in future water purchases should the District develop such capability, and the District is willing to provide such services and agree to such credits. Organizations served by the District agree to pay or dedicate to the District a fee of \$0.045 per 1,000 gallons of potable water processed through company facilities that the organization purchases from the City of Texarkana, Texas.

#### **The Reporting Entity**

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

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

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

#### Financial Statement Presentation

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

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

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

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

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

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

#### Fund Balance Reserves

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

#### Proprietary Funds

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

## Notes to Financial Statements (continued)

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



# Riverbend Water Resources District

## **Basis of Accounting**

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

## **Budgets and Budgetary Accounting**

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

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

## **Cash**

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

## **Receivables**

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

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

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

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

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

### **2. Risk Management**

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

### **3. Contingencies**

According to the District's board, there was no pending or threatened litigation involving the District at September 30, 2013, that was deemed to be material.

### **4. Recently Issued GASB Statements**

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

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

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

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

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

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

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

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

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

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

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

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

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

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

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

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

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid

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

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

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

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

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

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

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

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

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

## **5. Fair Value of Measurements**

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

# Riverbend Water Resources District

## Notes to Financial Statements (continued)

and minimize the use of unobservable inputs. These three levels of inputs used to measure fair value are as follows:

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

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

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

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

Assets Measured at Fair Value on a Recurring Basis as of September 30, 2013:

	Level I	Level II	Level III	Total
Cash and cash equivalents	<b>289,342</b>	\$ -	\$ -	\$ <b>289,342</b>
Total	<b>\$ 289,342</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 289,342</b>

Assets Measured at Fair Value on a Non-Recurring Basis - We assess potential impairments to our longlived assets, including land, equipment, buildings, and leasehold improvements, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the year ended September 30, 2013, we had no impairments related to these assets.

### 6. Deferred Revenue

Deferred revenue represents revenues collected but not earned as of September 30, 2013. This is primarily composed of funds paid by cities to Riverbend Water Resources District for future water credits should Riverbend develop a project with capability of providing potable water. Each one dollar in advances shall be exchanged for one dollar in credits that Riverbend shall accept for the purchase of water.

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

## Riverbend Water Resources District

### Notes to Financial Statements (continued)

There was no revenue recognized for the year ended September 30, 2013. All fees received are deferred until potable water is provided to the cities by Riverbend Water Resources District. Deferred revenue at September 30, 2013 was \$860,472.

#### **7. Subsequent Events**

Subsequent events have been evaluated through, April 1, 2014, the report issuance date.



## SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Equity  
Budget and Actual - Proprietary Fund Types - Enterprise Funds  
Year Ended September 30, 2013

	Budget	Actual	Variances Favorable (Unfavorable)
Revenues:			
Income	\$ -	,000\$ 65	\$ (65,000)



Riverbend fees	189,962	-	189,962
TexAmericas	<u>,000 15</u>	-	<u>,000 15</u>
Total operating revenues	<u>\$ 204,962</u>	<u>,000\$ 65</u>	<u>\$ 139,962</u>
Operating expenses:			
Accounting and audit fees	,000 27	8,750	,250 18
Bank service fees	150	59	91
Car allowance	,200 7	3,300	-
Conferences and seminars	-	128	(128)
Dues and memberships	305	303	-
Employee benefits	,100 9	3,672	-
Insurance	10,198	2,862	7,336
Meeting expense	,560 1	2,288	(728)
Office expense and supplies	,200 1	4,396	,196) (3
Payroll expense	,945 9	4,220	,725 5
Reimbursement	-	2,659	,659) (2
Rent	,000 6	3,300	,700 2
Salaries and wages	130,000	55,167	,833 74
Telephone	,000 3	1,336	,664 1
Consulting	,400 50	-	,400 50
Engineering services	,200 1	-	,200 1
Miscellaneous	,000 5	-	,000 5
Web design and maintenance	<u>,000 1</u>	-	<u>,000 1</u>
Total operating expenditures	<u>\$ 263,258</u>	# <u>,440\$ 92</u>	<u>,625\$ 21</u>
Nonoperating (income) and expenses			
Consulting	-	32,460	(32,460)
Legal and professional	-	46,140	(46,140)
Interest income	-	(362)	362
Travel expense	,000 4	4,794	-
Increase (decrease) in Fund Equity	<u>\$ -</u>	<u>\$ (110,472)</u>	<u>\$ (110,472)</u>



## OTHER INFORMATION

Riverbend Water Resources District  
Index of Supplemental Schedules Included within This Report  
Required by the Texas Commission on Environmental Quality Fiscal  
Year Ending September 30, 2013

	<u>Page</u>
Schedule of Services and Rates	N/A

Schedule of General Fund Expenditures	N/A
Schedule of Temporary Investments	N/A
Analysis of Taxes Receivable	N/A
Analysis of Changes in General Fixed Assets	N/A
General Long-Term Debt Service Requirements by Years	N/A
Analysis of Changes in General Long-Term Debt	N/A
Comparative Schedule of Revenues and Expenses- Five Year	25
Board Members, Key Personnel, and Consultants	26

N/A - Not applicable

Riverbend Water Resources District  
Comparative Schedule of Revenues and Expenses - Five Years Ended  
September 30, 2013

	(Audited) <u>2013</u>	(Audited) <u>2012</u>	(Unaudited) <u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:					
Revenue	\$ 65,000	\$ -	\$ 28,530	\$ -	\$ -
Operating expenditures:					
Accounting and audit fees	8,750	12,449	5,150	-	-
Bank service fees	59	429	46	-	-
Conferences and seminars	128	656	-	-	-
Insurance	2,862	2,329	-	-	-
Meeting expense	2,288	269	-	-	-
Office expense and supplies	4,396	121	91	-	-
Payroll expense	4,220	-	-	-	-
Reimbursement	2,659	-	-	-	-
Rent	3,300	-	-	-	-
Salaries and wages	55,167	-	-	-	-
Telephone	1,336	-	-	-	-
Car allowance	3,300	-	-	-	-
Dues and memberships	303	-	-	-	-

\$	92,440	\$	16,253	\$	5,287	\$	-	\$	-
(27,440)	(16,253)			23,243		-	-		
	32,460		40,908		-		-	-	
	46,140		144,377		-		-	-	
							-	-	
(362)	(406)		(38)				-	-	
	4,794		-		-		-	-	
							-	-	
	83,032		184,879				-	-	
			(38)				-	-	
\$	\$						\$	\$	
(110,472)	(201,132)	\$	23,281	\$	-		-	-	
Employee benefits	3,672	-	-	-	-	-	-	-	

Total operating expenditures:

Operating income (loss):

Non-operating (income) expenditures:

Consulting

Legal and professional

Interest income

Travel expenses

Non-operating (income) loss:

Increase (decrease) in Fund Equity

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

verbend Water Resources District  
Board Members, Key Personnel, and Consultants  
May 30, 2013

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District Business Telephone Number:

903-223-3905

Name and Address	Term Expires	Fees (Fiscal Year Ended September 30, 2013)	Expense Reimbursements (Fiscal Year Ended September 30, 2013)	Title at Year End	Resident of District
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Board Members:

Fred Milton	January 06, 2016	\$ 0	\$ 0	President	Riverbend
Kelly Mitchell	January 06, 2015 0 0	Vice President	Riverbend	Sean Rommel	January 06, 2015 0 0
Treasurer	Riverbend	Marshall C. Wood	January 06, 2016 0 0	Secretary	
Riverbend James Carlow	January 06, 2015 0 0	At-Large	Riverbend		
Scott L. Albert	May 06, 2015	\$ 0	\$ 0	Executive Director	Riverbend

Key Administrative Personnel:

Scott L. Albert, Executive Director, appointed May 2013

