



Control Number: 45873



Item Number: 14

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Riviera Water Control and Improvement District's Responses to Staff's 2<sup>nd</sup> Requests for Information.

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**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**Byron W. Blair, P.C.**  
Certified Public Accountant

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS  
COUNTY OF KLEBERG

Riviera WCID

I, TUDY YARKIN of the Riviera Water Control and Improvement District hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20th day of September, 2012, its annual audit report for the fiscal year or period ended June 30, 2012 and that copies of the annual report have been filed in the district office, located at Riviera, Texas.

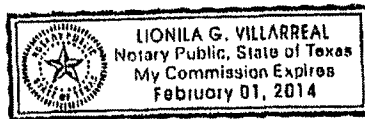
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: 9/20/12, 2012. By: Tudy Yarkin (President)

Sworn to and subscribed to before me this 20th day of September, 2012.

Lionila G. Villarreal  
(Signature of Notary)

Commission expires on: Feb. 01, 2014, Notary Public in the State of Texas.



# Byron W. Blair, P.C.

Certified Public Accountant

Board of Directors  
Riviera Water Control and  
Improvement District  
Riviera, Texas

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of Riviera Water Control and Improvement District as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Riviera Water Control and Improvement District management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

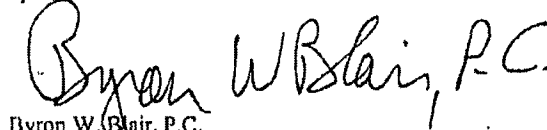
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riviera Water Control and Improvement District as of June 30, 2012, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express an opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.



Byron W. Blair, P.C.  
Certified Public Accountant

September 13, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Riviera Water Control and Improvement District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2012. Please read it in conjunction with the District's financial statements which begin on page 8.

This annual report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets -- the difference between assets and liabilities -- as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's billing base and the condition of the District's assets, to assess the overall health of the District.

Generally in a governmental entity, such as a water district, the Statement of Net Assets and the Statement of Activities are divided into two types of activities:

- \* Governmental activities -- If the District provided basic governmental services these services would be reported here, including the general administration of the district. Sales taxes, franchise fees, fines and property taxes would finance these activities however this water district has no governmental activities.

- \* Business-type activities -- In this type of activity a governmental entity charges fees to customers to help it cover all or most of the cost of certain services it provides. The District's sewer operation is such an activity and its operations are reported in these statements.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

Our analysis of the District's major funds begins on page 10. These fund financial statements provide detailed information about the most significant funds -- not the District as a whole. Some funds are required to be established by State law and others by bond covenants. However, the District's Board may establish other funds to help it control and manage money for particular purposes (such as a Community Development Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. As stated above, The District does not have governmental activities and thus has only one type of fund, a proprietary fund.

\* Proprietary funds -- When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the activities we report in the government- wide statements but provide more detail and additional information, such as cash flows. -

### THE DISTRICT AS A WHOLE

For the year ended June 30, 2012 the district's balance shown in net assets increased as follows:

	Total
Beginning Net Operating Assets	\$ 92,651
Increase in Net Operating Assets	<u>19,491</u>
Ending Net Operating Assets	112,142

The \$19,491 increase represents a 21.04% increase in net assets.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from the particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's customers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.



### **Business-type Activities**

While the District's proprietary fund is not necessarily designed to operate at a "profit", the fund is intended to operate at a level which would generate sufficient "income" to allow the fund to contribute to the retirement of bond debt. The fund accomplished this in that it contributed \$30,769 to the debt service fund and debt reserve fund to be applied toward the retirement of bond debt.

On a day to day operating basis, the District's direct revenues from the operation of its utility functions decreased 1.50% from the prior year going from \$96,548 to \$94,986 while the direct expenses of operating the utility function increased from the prior year going from \$65,186 to \$75,495 (a 15.8% increase). Included in these increased costs was an increase in contract labor (\$2,535) and electricity (\$1,639) however the largest increase was seen in sludge disposal (\$7,380) as a billing question from the prior year was resolved. The district continued its contract managed operations during the year and the cost of this management was \$12,150 with an additional \$5,168 paid to the contract manager for services rendered above and beyond the contract services. These contract and other payments were in lieu of the employee related expenses incurred in prior years.

### **THE DISTRICT'S FUNDS**

The above analysis of the change in net assets shows an increase in net operating assets of \$19,491. This increase in net operating assets resulted generally from reduction of debt with operating revenues exceeding operating expenses. This excess of revenues over expenses generally are reflected in the increase in the district's debt service and reserve accounts and in the reduction in long term debt payable.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions or comments, contact the District at P. O. Box 430, Riviera, Texas 78379.

## BASIC FINANCIAL STATEMENTS

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2012

ASSETS	PROPRIETARY FUND
CURRENT ASSETS	
CASH-OPERATING	4,541.34
CASH-DEBT SERVICE	31,958.22
CASH-INTEREST/SINKING RESERVE	26,369.25
ACCOUNTS RECEIVABLES-NET	8,199.76
TOTAL CURRENT ASSETS	<u>71,068.57</u>
NON CURRENT ASSETS	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NON-CURRENT ASSETS	<u>1,092,287.00</u>
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	58,327.47
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	121,672.53
TOTAL OTHER DEBITS	<u>180,000.00</u>
TOTAL ASSETS	<u><u>1,343,355.57</u></u>
LIABILITIES	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	706.17
DEFERRED REVENUE	0.00
TOTAL CURRENT LIABILITIES	<u>706.17</u>
NONCURRENT LIABILITIES	
DEPOSITS PAYABLE	3,697.94
BONDS PAYABLE-SEWER PLANT	105,000.00
TOTAL NONCURRENT LIABILITIES	<u>108,697.94</u>
TOTAL LIABILITIES	<u>109,404.11</u>
NET ASSETS	
CAPITAL ASSETS INVESTMENTS, NET OF RELATED DEBT	112,142.52
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	<u>1,233,951.46</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,343,355.57</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
JUNE 30, 2012

	EXPENSES	CHARGES FOR SERVICES	OPERATING TRANSFERS	NET (EXPENSES) REVENUES
FUNCTIONS/PROGRAMS				
BUSINESS TYPE ACTIVITIES				
UTILITY SERVICES	75,494.57	94,985.74	0.00	19,491.17
TOTAL BUSINESS TYPE ACTI	75,494.57	94,985.74	0.00	19,491.17

	PROPRIETARY FUND
CHANGES IN NET ASSETS	
NET REVENUES (EXPENSES)	19,491.17
CHANGE IN NET ASSETS	19,491.17
NET ASSETS - BEGINNING	92,651.35
NET ASSETS - ENDING	112,142.52
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	1,233,951.46

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
CASH-OPERATING	4,541.34
CASH-DEBT SERVICE	31,958.22
CASH-INTEREST/SINKING RESERVE	26,369.25
ACCOUNTS RECEIVABLES-NET	8,199.76
TOTAL CURRENT ASSETS	<u>71,068.57</u>
NONCURRENT ASSETS	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NONCURRENT ASSETS	<u>1,092,287.00</u>
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	58,327.47
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	121,672.53
TOTAL OTHER DEBITS	<u>180,000.00</u>
TOTAL ASSETS	<u>1,343,355.57</u>
LIABILITIES	
CURRENT LIABILITIES	
OTHER CURRENT LIABILITIES	706.17
TOTAL CURRENT LIABILITIES	<u>706.17</u>
NONCURRENT LIABILITIES	
DUE TO OTHER FUNDS	0.00
DEPOSITS PAYABLE	3,697.94
BONDS PAYABLE-SEWER SYSTEM	105,000.00
TOTAL NONCURRENT LIABILITIES	<u>108,697.94</u>
TOTAL LIABILITIES	<u>109,404.11</u>
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	112,142.52
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	<u>1,233,951.46</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,343,355.57</u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

OPERATING REVENUES	
SEWER REVENUE	94,971.87
OTHER OPERATING REVENUE	13.87
TOTAL OPERATING REVENUES	<u>94,985.74</u>
OPERATING EXPENSES	
PERSONAL SERVICES	0.00
MATERIALS & SUPPLIES	13,206.74
OUTSIDE SERVICES AND CHARGES	23,128.39
UTILITIES	17,084.61
EQPT. REPAIRS AND MAINTENANCE	3,080.55
TAXES & INSURANCE	621.75
LICENSES FEES & EXPENSES	1,550.00
SOLID WASTE DISPOSAL	10,663.78
TOTAL OPERATING EXPENSES	<u>69,335.82</u>
NET OPERATING INCOME	<u>25,649.92</u>
NONOPERATING REVENUE & (EXPENSES)	
INTEREST EXPENSE-BOND DEBT	(6,158.75)
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(6,158.75)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	19,491.17
OPERATING TRANSFERS IN (OUT)	<u>0.00</u>
NET INCOME	19,491.17
NET OPERATING ASSETS-BEGINNING OF YEAR	<u>92,651.35</u>
NET OPERATING ASSETS-END OF YEAR	<u><u>112,142.52</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	97,055.48
PAYMENT TO SUPPLIERS	(72,314.82)
PAYMENTS TO EMPLOYEES	0.00
CHANGE IN CUSTOMER METER DEPOSITS	(75.00)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>24,665.66</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PRINCIPAL PAID ON CAPITAL BONDS	(15,000.00)
INTEREST PAID ON CAPITAL DEBT	(6,158.75)
ADJUSTMENTS TO OTHER CURRENT LIABILITIES	0.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(21,158.75)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,506.91</u>
BALANCES-BEGINNING OF YEAR	<u>59,361.90</u>
BALANCES-END OF YEAR	<u><u>62,868.81</u></u>
RECONCILIATION	
CASH-OPERATING ACCOUNT	4,541.34
CASH-DEBT SERVICE/RESERVE FUNDS	58,327.47
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>62,868.81</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	19,491.17
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES, NET	2,069.74
ACCOUNTS AND OTHER PAYABLES	(3,054.00)
OTHER ADJUSTMENTS	
INTEREST PAID-BOND DEBT	6,158.75
OPERATING SUBSIDIES AND TRANSFERS	0.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,665.66</u>

The accompanying notes are an integral part of these financial statements



**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Riviera Water Control and Improvement District operates under a Board of Directors form of government and provides drainage and sewer services to the District.

The accounting policies of the Riviera Water Control and Improvement District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Creation of the District**

The Riviera Water Control and Improvement District was created under the authority of the legislature of the State of Texas. It was formally organized on June 13, 1985 as a district to collect and treat wastewater. It is a political subdivision of the state. The governing body of the District is elected by the voters of the District. Among its duties, it approves contracts and determines when to issue bonds authorized by the voters of the District.

**B. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its customers. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities. It has been determined, based on the above, that the reporting entity of Riviera Water Control and Improvement District, effective for the year ended June 30, 1999, includes only the funds and account groups of the District. No other entities met the necessary criteria for inclusion in the District's annual financial report.

**B. Fund Accounting**

The accounts of the Riviera Water Control and Improvement District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

Resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three governmental fund types and two account groups.

**GOVERNMENTAL FUNDS:**

**General Fund** - The District has no General Fund. The district collects no tax revenue and relies on wastewater revenue to fund all activities.

**Proprietary Fund** - The Proprietary Fund is the general operating fund of the Water District. It is used to account for all water resources.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is accounted for as an additional fund within the Proprietary Fund.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Capital Projects Fund** - The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**ACCOUNT GROUPS:**

**General Fixed Asset Account Group** - The General Fixed Asset Account Group is used to account for fixed assets used by the Water District. The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations. Infrastructure assets owned by the District are reported in this account group. See Note 4-General Fixed Assets for further discussion regarding fixed assets.

**The General Long-Term Debt Account Group** - The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from the Debt Service Fund. Also included in this account group is the District's liability for a note obtained to complete the District's sewer construction project.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become measurable and available as net current assets, that is, when they become susceptible to accrual. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred.

**E. Budgets and Budgetary Accounting**

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The district does not employ the use of encumbrance accounting as part of its regular financial reporting process.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Total Column on General Purpose Statements**

Total columns on the General Purpose Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles; neither, is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 2: CASH AND INVESTMENTS**

The Riviera Water Control and Improvement District maintains three separate cash accounts: Operating Fund, Interest and Sinking Fund and Debt Service Fund. All three accounts are maintained as cash on deposit with Wells Fargo Bank.

As of June 30, 2012, cash on deposit totaled \$62,868.81 in these three separate accounts. Of this balance \$62,869 was readily available cash covered by federal depository insurance and the district had no other cash or investment accounts.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Description	Category			Carrying Amount	Market Value
	1	2	3		
FDIC Insurance	\$62,869	\$ -0-	\$ -0-	\$ 62,869	\$62,869
Totals	<u>\$62,869</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 62,869</u>	<u>\$ 62,869</u>

Texas Statutes authorize the Riviera Water Control and Improvement District to invest in:

1. obligations of the U. S. Treasury or its agencies;
2. direct obligation of the State of Texas or its agencies;
3. other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
4. obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm;
5. certificates of deposit that are insured by the Federal Deposit Insurance Corporation or secured by obligations having a market value of at least the principal amount of the certificates; and
6. fully collateralized direct repurchase agreements.

As of the end of this fiscal year, the District had no such investments.

**NOTE 3: GENERAL FIXED ASSETS**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their fair market value on the date donated.

For the year ended June 30, 2012, a summary of changes in general fixed assets follows:

Description	07/01/11	Additions	Deletions	06/30/12
Sewer System	\$ 922,954	\$-0-	\$-0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
Totals	<u>\$1,092,287</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,092,287</u>

The beginning balance shown for general fixed assets was the result of a capital project completed by Kleberg County and donated to the Riviera Water Control and Improvement District as the result of a grant by the Texas Department of Housing and Community Affairs Community Development Block Grant Program.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

The beginning balance shown for general fixed assets was the result of a capital project completed by Kleberg County and donated to the Riviera Water Control and Improvement District as the result of a grant by the Texas Department of Housing and Community Affairs Community Development Block Grant Program.

**NOTE 4: GENERAL LONG-TERM DEBT**

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2012.

**G. O. Bonds Payable**

Balance at July 1, 2011	\$120,000
Plus Issues/Additions	-0-
Less: Maturities/Deletions	<u>15,000</u>
Balance at June 30, 2012	<u>\$105,000</u>

The bonds issued during 1995 are due in annual installments ranging from \$5,000 to \$25,000 through November 1, 2016 with interest varying from 3.75% to 5.550% payable semi-annually.

The Water District is now in general compliance with all significant limitations and restrictions contained in the bond indentures. There are sufficient funds in a Reserve/Interest and Sinking Fund to service the average annual outstanding debt for the term of the note payable and this account has been fully funded. A Debt Service Fund checking account was established by the District during 1998 and has served as a reserve account to fund debt service from the inception of the debt. During the previous fiscal year this debt service fund was funded at a rate of \$2023 monthly and as of June 30, 2012 this debt service fund checking account has a balance of \$31,958 and this is a sufficient balance to service the debt requirements for the upcoming fiscal year. As of June 30, 2011, the debt service reserve fund has a balance of \$26,369 and was funded during previous fiscal years at a rate of \$300 per month. The required balance in the debt service reserve fund as of June 30, 2012 is \$24,004 in order to meet or exceed the average annual debt service payments for the remaining term of the debt and thus the existing balance is sufficient at the end on the June 30, 2012 fiscal year to be in compliance with bond requirements.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

The future annual requirements to amortize all general obligation principal and interest based on fiscal years ending June 30, are as shown below:

<b>Year End 06/30</b>	<b>Principal</b>	<b>Rate</b>	<b>Interest</b>	<b>Total</b>
2013	20,000	5.450	5,217	25,217
2014	20,000	5.500	4,132	24,132
2015	20,000	5.500	3,038	23,038
2016	20,000	5.550	1,937	21,937
2017	<u>25,000</u>	<u>5.550</u>	<u>694</u>	<u>25,694</u>
<b>Totals</b>	<b><u>\$105,000</u></b>		<b><u>\$15,018</u></b>	<b><u>\$120,018</u></b>

**NOTE - PLEDGE OF REVENUES**

The Riviera Water Control and Improvement District Sewer System Revenue Bonds Series are payable from the net revenues of the District's Sewer System "Net revenues" are defined for this purpose as all gross revenues of the System less the expenses of administration, efficient operation and adequate maintenance of the System necessary to render sufficient services. Depreciation and interest on the indebtedness of the District and payments into the Interest and Sinking Fund shall never be considered as expenses for this purpose.

**SUPPLEMENTARY INFORMATION**

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
SERVICES AND RATES  
JUNE 30, 2012**

1. Services Provided by the District:

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

Other (specify): \_\_\_\_\_

2. Retain Rates Based on 5/8" Meter: \_\_\_\_\_ Retain Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ 30.00	2,000	N	\$ 1.50	2,001 to No limit
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes \_\_\_\_\_ No ☒

Total wastewater charges per 10,000 gallons usage (including surcharges). \$42.00

3. Retail Service Providers: Number of retail water and/or wastewater connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	160	_____	_____
Multi-Family	-0-	_____	_____
Commercial	18	_____	_____
Other-recreational centers, government & VFD	6	_____	_____
<b>TOTAL</b>	<u>184</u>	_____	_____

4. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system: \_\_\_\_\_

Gallons billed to customers: \_\_\_\_\_

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.

5. Standby Fees: Does the District assess standby fees? ☐ Yes ☒ No

For the most recent full fiscal year, FYE \_\_\_\_\_:

Debt Service:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Operation & Maintenance:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? ☐ Yes ☐ No

6. Anticipated sources of funds to be used for debt service payments in the district's following fiscal year:

a. Debt Service Tax Receipts	\$ _____
b. Surplus Construction Funds	_____
c. Water and/or Wastewater Revenue	_____ 25,217
d. Standby Fees	_____
e. Debt Service Fund Balance to be Used	_____
f. Interest Revenues	_____
g. Other (Describe)	_____

TOTAL ANTICIPATED FUNDS TO BE USED\* \$ \_\_\_\_\_ 25,217

This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7. Location of District:

County(ies) in which district is located. Kleberg

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

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

City(ies) in which district is located. \_\_\_\_\_

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

ETJ's in which district is located. \_\_\_\_\_

Is the general membership of the Board appointed by an office outside the district?  
Yes ☐ No ☒

If Yes, by whom? \_\_\_\_\_



RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
SCHEDULE OF PROPRIETARY FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012

Professional Fees

Audit Fees & Expenses	2,150.00
-----------------------	----------

Utilities-

Utilities-Wastewater	16,433.14
----------------------	-----------

Administrative Expenses

Billing Contract	6,000.00
Disposal Fees	10,663.78
Office Supplies & Expenses	416.39
Supplies & Materials	6,790.35
License Fees & Expenses	1,550.00
Insurance	621.75
Maintenance & Repairs	3,080.55
Testing	0.00
Office Lease	1,020.00
Wages	0.00
Payroll Tax Expense	0.00
Contract Labor	19,958.39
Equipment Expenses	0.00
Training	0.00
Telephone	651.47
Subtotal-Administrative Expenditures	50,752.68
Total Expenditures	69,335.82

Number of person employed by the District: 0 Full-time, 0 Part-time  
(Does not include independent contractors or consultants)

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
ANALYSIS OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Balances at 07/01/2011</u>	<u>Additions Capital Outlay Expenditures</u>	<u>Other Additions Deletions, Reclassifications</u>	<u>Balances at 06/30/12</u>
Sewer System	\$ 922,954	\$ -0-	\$ -0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
Totals	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>
<b>Amounts Provided by:</b>				
General Fund:				
Revenues	\$ 5,949	\$ -0-	\$ -0-	\$ 5,949
Bond Proceeds	280,000	-0-	-0-	\$ 280,000
Other Governments	<u>806,338</u>	<u>-0-</u>	<u>-0-</u>	<u>806,338</u>
Revenues	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
AS OF JUNE 30, 2012**

Due During Year Ending	SERIES 1995		Total
	Principal <u>Due 11/01</u>	Interest <u>Due 05/01, 11/01</u>	
2013	20,000	5,217	25,217
2014	20,000	4,132	24,132
2015	20,000	3,038	23,038
2016	20,000	1,937	21,937
2017	<u>25,000</u>	<u>694</u>	<u>25,694</u>
Totals	<u>\$105,000</u>	<u>\$ 15,018</u>	<u>\$120,018</u>

Note: The above series of bonds is the only outstanding issue as of June 30, 2012.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT  
AS OF JUNE 30, 2012**

Interest Rates	3.75 - 5.550%
Dates Interest Payable	05/01, 11/01
Maturity Dates	11/01/97 to 11/01/16
Bonds Outstanding at Beginning of Current Year	\$ 120,000
Bonds Sold During the Current Year	-0-
Retirement during the Current Year	<u>15,000</u>
Bonds Outstanding at End of Current Year	<u>\$ 105,000</u>
Interest Paid during the Current Year	<u>\$ 6,159</u>
Paying Agent's Name and City:	
Series 1995: First Southwest Company	

Revenue Bonds	
Bond Authority:	
Amount Authorized by Voters	<u>\$280,000</u>
Amount Issued	<u>\$280,000</u>
Remaining to be Issued	<u>\$ -0-</u>
Debt Service Reserve Cash Balances as of June 30, 2012:	<u>\$ 26,369</u>
Average annual Debt Service Payment (Principal and Interest) for remaining term of all debt	<u>\$ 24,004</u>

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Complete District Mailing Address: P.O. Box 430, Riviera, Texas 78379

District Business Telephone Number: (512) 296-3605

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) Or Date Hired</u>	<u>Fees</u>	<u>Expense Reimburse- ments</u>	<u>Title Year End</u>	<u>Resident of District?</u>
<b>BOARD MEMBERS:</b>					
Toby Yaklin P. O. Box 244 Riviera, Texas 78379 (361) 296-4170	Elected 2007 to 2013	--		President	Yes
Sylvia Argujo P.O. Box 91 Riviera, Texas 78379 (361) 296-3202	Elected 2008 to 2013	--		Vice-Pres-	Yes
Felix Barrera P.O. Box 272 Riviera, Texas 78379 (361) 296-3934	Elected 1998 to 2013	--	--	Secretary- Director	Yes
Hilda Cantu P.O. Box 303 Riviera, Texas 78379 (361) 296-3395	Elected 2008-2013	--	--	Director	Yes
Noe Quantanilla Riviera, Texas 78379	Appointed 2010-2013	--		Director	Yes

**Note: No director is disqualified from serving on this board under the Texas Water Code.**

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Reimbursements &amp; Fees 06/30/11</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<b>CONSULTANTS:</b>				
Daniel Almeida Process Control Services P O Box 1012 Kingsville, Texas 78364	2009	\$12,150 5,168	Manager Wastewater System Wastewater Contractor	No
Lionila Villarreal 336 East CR 2305 Riviera, Texas 78379 (361) 296-3120	2010	\$2,400	Contract Secretary/ Bookkeeper	Yes

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
ENTERPRISE FUND  
JUNE 30, 2012

	BUDGET AMOUNT	ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
RESOURCES (INFLOWS)			
WATER REVENUES	90,000	94,972	4,972
GRANT/OTHER REVENUES		14	14
LATE CHARGES	1,000	0	(1,000)
	91,000	94,986	3,972
EXPENDITURES (OUTFLOWS)			
MATERIALS & SUPPLIES	5,100	6,790	(1,690)
OFFICE SUPPLIES & EXPENSE	300	416	(116)
EQUIPMENT EXPENSE	2,500	0	2,500
MAINTENANCE & REPAIRS	5,300	3,081	2,219
TESTING & LABORATORY	5,900	0	5,900
ELECTRICITY	13,400	16,433	(3,033)
INSURANCE	1,600	622	978
LICENSES & PERMITS	1,000	1,250	(250)
BILLING COLLECTIONS (RWS)	4,200	6,000	(1,800)
CONTRACT LABOR	23,175	19,958	3,217
PROFESSIONAL FEES	2,300	2,150	150
TELEPHONE	1,015	651	364
OFFICE LEASE	1,020	1,020	0
SOLID WASTE DISPOSAL	5,390	10,664	(5,274)
DEBT SERVICE-INTEREST	4,050	6,159	(2,109)
DEBT SERVICE FEES	300	300	0
TOTAL EXPENSES	76,550	75,495	1,055
NET INCOME	14,450	19,491	5,027
DEBT SERVICE-PRINCIPAL	15,000	15,000	0
CASH FLOW BUDGETED	(550)	4,491	5,027

# Byron W. Blair, P.C.

Certified Public Accountant

September 13, 2012

Board of Directors  
Riviera Water Control  
And Improvement District  
Riviera, Texas

In planning and performing our audit of the financial statements of the Riviera Water Control and Improvement District (District) for the Year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

## Accounting Functions

During previous years the District utilized a computer accounting system with a balancing set of books and a general ledger. This computerized accounting system was better utilized and maintained on a current basis for the entire year. This facilitated providing accurate financial statements currently which allowed for an accurate financial review of operations on a monthly basis. The District should attempt to continue to utilize this system on a monthly basis and should continue to strive to provide current financial information to its board of directors.

## Billings and Collections of Sewer Revenue

The District continues to have an outside water supply company bill and collect the District's sewer revenue which continues to lack segregation of duties and does not have any checks and balances in place through the computer system currently being used. The billing system currently being utilized does have several improvements over the preceding system in that it shows totals for amounts due, payments received and ending balances on a monthly basis in order to facilitate a proper reconciliation of beginning and ending balances. This presentation gives the District added controls over the collection process on a monthly basis.



### **Budget Compliance**

The District adopts a budget annually and in the current year the budget adopted more closely reflected the historical costs incurred in prior years than had budgets in previous years. However, during the current year the current budget continued to have relatively large budget variances and the District should consider amending the budget throughout the year as needed. There were several instances of expenditures that had variances from budgeted amounts, with both positive and negative variances. The budget as adopted should be amended as necessary during the year to recognize variances in estimated revenue and expenses. These amended budgets would then be very helpful in adopting a more realistic budget for the succeeding years.

### **Bond Requirements**

During the year the District funded a debt service checking account to segregate funds intended for the retirement of current debt obligations. The District should continue to segregate funds on a current basis for the retirement of current debt obligations. Additionally during the year the District funded a Reserve Fund as per bond requirements to segregate funds restricted as a reserve fund for future debt service. This debt reserve fund is required to be equal to the average debt service requirement over the life of the debt and at year end this account exceeded this requirement and the funding of this reserve could be discontinued.

### **Bond Debt Requirements**

The total bond debt requirement (interest and principle) for the current year was \$21,159 and the average annual total debt service required for future years is \$24,004. For the current year the District was funding its debt service account in the amount of \$2023 per month and the amount provided for debt service by operations through transfers this year did exceed debt requirement for the current year. The District's debt service account at year end totaled \$31,958.

The District is also funding a debt reserve account in the amount of \$300 per month to meet the reserve requirements of the bond indentures. At year end the District's reserve account totaled \$26,369. As mentioned previously, the average total debt service requirements for future years is \$24,004 and therefore the district is in compliance with the bond reserve requirements. The District should maintain this reserve balance to continue to be in compliance with bond requirements but is not required to continue funding the account as long as the balance in this reserve account exceeds the average debt service requirements for the remaining life of the note.

### **Internal Control**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

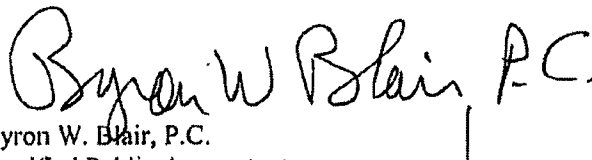
Page 3

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose reportable conditions that are also considered to be material weaknesses as defined above.

The lack of controls over the billing and collection of sewer revenue and the lack of a report showing the aging of accounts receivable would be considered to be material weakness in internal control. These weaknesses are offset to a certain extent by the direct involvement of the board members themselves in the day to day operations of the district. The district does closely monitor past due accounts and was very successful in enforcing its shut off requirements which resulted in an increase in revenue collections during the current fiscal year.

This report is intended solely for the information and use of the Board of Directors, others within the organization, the Texas Natural Resource Conservation Commission, and The Texas Water Development Board.

We will be glad to discuss any portion of this letter or the audit with you. Thank you for the opportunity to be of service, and we look forward to working with you in the future.

A handwritten signature in black ink that reads "Byron W Blair, P.C.". The signature is written in a cursive style with a vertical line extending downwards from the end of the signature.

Byron W. Blair, P.C.  
Certified Public Accountant

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
EXPENSE COMPARISON  
FOR THE YEAR ENDED JUNE 30, 2012/2011

REVENUE-SEWER BILLINGS	94,971.87	96,537.05	(1,565.18)
SLUDGE DISPOSAL FEES	10,663.78	3,284.30	7,379.48
OFFICE SUPPLIES & EXP	416.39	18.30	398.09
CONTRACT BILLING EXP	6,000.00	6,000.00	0.00
LICENSES FEES & EXP	1,250.00	1,250.00	0.00
ELECTRICITY	16,433.14	14,794.26	1,638.88
TELEPHONE	651.47	684.01	(32.54)
CONTRACT LABOR	19,958.39	17,422.92	2,535.47
CONTRACT LABOR-GRANTS		0.00	0.00
INSURANCE	621.75	995.25	(373.50)
PROFESSIONAL FEES	2,150.00	2,577.50	(427.50)
SEWER TESTING		137.44	(137.44)
SALARIES - WASTE WATER		0.00	0.00
P/R TAX EXP		0.00	0.00
OFFICE RENTAL	1,020.00	1,020.00	0.00
SCHOOLS & TRAINING		0.00	0.00
AGENT FEES	300.00	300.00	0.00
MOWING ETC		0.00	0.00
MINUTES		0.00	0.00
BANK CHARGES		0.00	0.00
	59,464.92	48,483.98	10,980.94
MAINT & EXPENSES	3,080.55	2,783.11	297.44
SUPPLIES & MATERIALS	6,790.35	6,933.09	(142.74)
EQUIPMENT EXPENSES	0.00	28.00	(28.00)
	69,335.82	58,228.18	
BOND PRIN RETIRED	15,000.00	15,000.00	
INTEREST-BOND INTEREST	6,158.75	6,957.50	
TOTAL EXPENDITURES	90,494.57	80,185.68	
TOTAL EXP LESS PRINCIPLE	75,494.57	65,185.68	
OPERATIONAL INCOME	19,477.30	31,351.37	

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Byron W. Blair, P.C.**  
**Certified Public Accountant**

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2013**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS  
COUNTY OF KLEBERG

Riviera WCID

I, \_\_\_\_\_ of the Riviera Water Control and Improvement District hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 19th day of September, 2013, its annual audit report for the fiscal year or period ended June 30, 2013 and that copies of the annual report have been filed in the district office, located at Riviera, Texas.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: \_\_\_\_\_, 2013. By: \_\_\_\_\_

Sworn to and subscribed to before me this \_\_\_\_\_ day of September, 2013.

\_\_\_\_\_  
(Signature of Notary)

Commission expires on: \_\_\_\_\_, \_\_\_\_\_, Notary Public in the State of Texas.

# Byron W. Blair, P.C.

Certified Public Accountant

Board of Directors  
Riviera Water Control and  
Improvement District  
Riviera, Texas

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of Riviera Water Control and Improvement District as of and for the year ended June 30, 2013, as listed in the table of contents. These financial statements are the responsibility of Riviera Water Control and Improvement District management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riviera Water Control and Improvement District as of June 30, 2013, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express an opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.

Byron W. Blair, P.C.  
Certified Public Accountant

September 17, 2013

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT**  
**P. O. BOX 430**  
**RIVIERA, TEXAS 78379**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Riviera Water Control and Improvement District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2013. Please read it in conjunction with the District's financial statements which begin on page 8.

This annual report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets -- the difference between assets and liabilities -- as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's billing base and the condition of the District's assets, to assess the overall health of the District.

Generally in a governmental entity, such as a water district, the Statement of Net Assets and the Statement of Activities are divided into two types of activities:

\* Governmental activities -- If the District provided basic governmental services these services would be reported here, including the general administration of the district. Sales taxes, franchise fees, fines and property taxes would finance these activities however this water district has no governmental activities.

\* Business-type activities -- In this type of activity a governmental entity charges fees to customers to help it cover all or most of the cost of certain services it provides. The District's sewer operation is such an activity and its operations are reported in these statements.



## Reporting the District's Most Significant Funds

### Fund Financial Statements

Our analysis of the District's major funds begins on page 10. These fund financial statements provide detailed information about the most significant funds -- not the District as a whole. Some funds are required to be established by State law and others by bond covenants. However, the District's Board may establish other funds to help it control and manage money for particular purposes (such as a Community Development Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. As stated above, The District does not have governmental activities and thus has only one type of fund, a proprietary fund.

\* Proprietary funds -- When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

### THE DISTRICT AS A WHOLE

For the year ended June 30, 2013 the district's balance shown in net assets increased as follows:

	Total
Beginning Net Operating Assets	\$112,143
Increase in Net Operating Assets	<u>13,396</u>
Ending Net Operating Assets	125,539

The \$13,396 increase represents a 11.95% increase in net assets.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from the particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's customers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

**Business-type Activities**

While the District's proprietary fund is not necessarily designed to operate at a "profit", the fund is intended to operate at a level which would generate sufficient "income" to allow the fund to contribute to the retirement of bond debt. The fund accomplished this in that it contributed \$19,884 to the debt service fund and debt reserve fund to be applied toward the retirement of bond debt.

On a day to day operating basis, the District's direct revenues from the operation of its utility functions increased 1.027% from the prior year increasing from \$94,986 to \$97,541 while the direct expenses of operating the utility function also increased from the prior year going from \$75,495 to \$84,156 (an 11.4% increase). Included in these increased costs was an increase in contract labor (\$5,245) and electricity (\$3,269). The district continued its contract managed operations during the year and the cost of this management was \$15,900 with an additional \$5,535 paid to the contract manager for services rendered above and beyond the contract services.

The bond principal paid during the current year increased from \$15,000 to \$20,000 and the principal reduction amount will remain at this level for the next two years. In the final year of the bond amortization (2017) the principal payment will be \$25,000.

**THE DISTRICT'S FUNDS**

The above analysis of the change in net assets shows an increase in net operating assets of \$13,396. This increase in net operating assets resulted generally from reduction of debt with operating revenues exceeding operating expenses. This excess of revenues over expenses generally are reflected in the increase in the district's debt service and reserve accounts and in the reduction in long term debt payable.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions or comments, contact the District at P. O. Box 430, Riviera, Texas 78379.

**BASIC FINANCIAL STATEMENTS**

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2013

ASSETS	PROPRIETARY FUND
CURRENT ASSETS	
CASH-OPERATING	2,443.56
CASH-DEBT SERVICE	27,568.91
CASH-DEBT RESERVE	25,427.75
ACCOUNTS RECEIVABLES-NET	9,024.76
TOTAL CURRENT ASSETS	<u>64,464.98</u>
NON CURRENT ASSETS	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NON-CURRENT ASSETS	<u>1,092,287.00</u>
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	52,996.66
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	127,003.34
TOTAL OTHER DEBITS	<u>180,000.00</u>
TOTAL ASSETS	<u><u>1,336,751.98</u></u>
LIABILITIES	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	706.17
DEFERRED REVENUE	0.00
TOTAL CURRENT LIABILITIES	<u>706.17</u>
NONCURRENT LIABILITIES	
DEPOSITS PAYABLE	3,697.94
BONDS PAYABLE-SEWER PLANT	85,000.00
TOTAL NONCURRENT LIABILITIES	<u>88,697.94</u>
TOTAL LIABILITIES	<u>89,404.11</u>
NET ASSETS	
CAPITAL ASSETS INVESTMENTS, NET OF RELATED DEBT	125,538.93
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	<u>1,247,347.87</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,336,751.98</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING TRANSFERS	NET (EXPENSES) REVENUES
BUSINESS TYPE ACTIVITIES				
UTILITY SERVICES	84,155.76	97,552.17	0.00	13,396.41
TOTAL BUSINESS TYPE ACTI	84,155.76	97,552.17	0.00	13,396.41
				PROPRIETARY FUND
CHANGES IN NET ASSETS				
NET REVENUES (EXPENSES)				13,396.41
CHANGE IN NET ASSETS				13,396.41
NET ASSETS - BEGINNING				112,142.52
NET ASSETS - ENDING				125,538.93
INVESTMENTS IN GENERAL FIXED ASSETS				1,121,808.94
TOTAL NET ASSETS				1,247,347.87

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2013

ASSETS	
CURRENT ASSETS	
CASH-OPERATING	2,443.56
CASH-DEBT SERVICE	27,568.91
CASH-INTEREST/SINKING RESERVE	25,427.75
ACCOUNTS RECEIVABLES-NET	9,024.76
TOTAL CURRENT ASSETS	<u>64,464.98</u>
NONCURRENT ASSETS	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NONCURRENT ASSETS	<u>1,092,287.00</u>
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	52,996.66
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	127,003.34
TOTAL OTHER DEBITS	<u>180,000.00</u>
TOTAL ASSETS	<u><u>1,336,751.98</u></u>
LIABILITIES	
CURRENT LIABILITIES	
OTHER CURRENT LIABILITIES	706.17
TOTAL CURRENT LIABILITIES	<u>706.17</u>
NONCURRENT LIABILITIES	
DUE TO OTHER FUNDS	0.00
DEPOSITS PAYABLE	3,697.94
BONDS PAYABLE-SEWER SYSTEM	85,000.00
TOTAL NONCURRENT LIABILITIES	<u>88,697.94</u>
TOTAL LIABILITIES	<u>89,404.11</u>
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	125,538.93
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	<u>1,247,347.87</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,336,751.98</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2013

OPERATING REVENUES	
SEWER REVENUE	97,541.48
OTHER OPERATING REVENUE	10.69
TOTAL OPERATING REVENUES	<u>97,552.17</u>
OPERATING EXPENSES	
PERSONAL SERVICES	0.00
MATERIALS & SUPPLIES	13,173.77
OUTSIDE SERVICES AND CHARGES	29,149.97
UTILITIES	20,363.05
EQPT. REPAIRS AND MAINTENANCE	2,213.47
TAXES & INSURANCE	820.00
LICENSES FEES & EXPENSES	2,800.00
SOLID WASTE DISPOSAL	10,418.00
TOTAL OPERATING EXPENSES	<u>78,938.26</u>
NET OPERATING INCOME	18,613.91
NONOPERATING REVENUE & (EXPENSES)	
INTEREST EXPENSE-BOND DEBT	(5,217.50)
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(5,217.50)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	13,396.41
OPERATING TRANSFERS IN (OUT)	<u>0.00</u>
NET INCOME	13,396.41
NET OPERATING ASSETS-BEGINNING OF YEAR	<u>112,142.52</u>
NET OPERATING ASSETS-END OF YEAR	<u><u>125,538.93</u></u>

The accompanying notes are an integral part of these financial statements

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	96,727.17
PAYMENT TO SUPPLIERS	(78,938.26)
PAYMENTS TO EMPLOYEES	0.00
CHANGE IN CUSTOMER METER DEPOSITS	0.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>17,788.91</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PRINCIPAL PAID ON CAPITAL BONDS	(20,000.00)
INTEREST PAID ON CAPITAL DEBT	(5,217.50)
ADJUSTMENTS TO OTHER CURRENT LIABILITIES	0.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,217.50)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,428.59)</u>
BALANCES-BEGINNING OF YEAR	<u>62,868.81</u>
BALANCES-END OF YEAR	<u><u>55,440.22</u></u>
RECONCILIATION	
CASH-OPERATING ACCOUNT	2,443.56
CASH-DEBT SERVICE/RESERVE FUNDS	52,996.66
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>55,440.22</u></u>

The accompanying notes are an integral part of these financial statements



RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	13,396.41
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES, NET	(825.00)
ACCOUNTS AND OTHER PAYABLES	0.00
OTHER ADJUSTMENTS	
INTEREST PAID-BOND DEBT	5,217.50
OPERATING SUBSIDIES AND TRANSFERS	0.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>17,788.91</u>

The accompanying notes are an integral part of these financial statements

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Riviera Water Control and Improvement District operates under a Board of Directors form of government and provides drainage and sewer services to the District.

The accounting policies of the Riviera Water Control and Improvement District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Creation of the District**

The Riviera Water Control and Improvement District was created under the authority of the legislature of the State of Texas. It was formally organized on June 13, 1985 as a district to collect and treat wastewater. It is a political subdivision of the state. The governing body of the District is elected by the voters of the District. Among its duties, it approves contracts and determines when to issue bonds authorized by the voters of the District.

**B. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its customers. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities. It has been determined, based on the above, that the reporting entity of Riviera Water Control and Improvement District, effective for the year ended June 30, 1999, includes only the funds and account groups of the District. No other entities met the necessary criteria for inclusion in the District's annual financial report.

**B. Fund Accounting**

The accounts of the Riviera Water Control and Improvement District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

Resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three governmental fund types and two account groups.

**GOVERNMENTAL FUNDS:**

**General Fund** - The District has no General Fund. The district collects no tax revenue and relies on wastewater revenue to fund all activities.

**Proprietary Fund** - The Proprietary Fund is the general operating fund of the Water District. It is used to account for all water resources.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is accounted for as an additional fund within the Proprietary Fund.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Capital Projects Fund** - The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**ACCOUNT GROUPS:**

**General Fixed Asset Account Group** - The General Fixed Asset Account Group is used to account for fixed assets used by the Water District. The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations. Infrastructure assets owned by the District are reported in this account group. See Note 4-General Fixed Assets for further discussion regarding fixed assets.

**The General Long-Term Debt Account Group** - The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from the Debt Service Fund. Also included in this account group is the District's liability for a note obtained to complete the District's sewer construction project.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become measurable and available as net current assets, that is, when they become susceptible to accrual. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred.

**E. Budgets and Budgetary Accounting**

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The district does not employ the use of encumbrance accounting as part of its regular financial reporting process.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Total Column on General Purpose Statements**

Total columns on the General Purpose Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles; neither, is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2: CASH AND INVESTMENTS**

The Riviera Water Control and Improvement District maintains three separate cash accounts: Operating Fund, Interest and Sinking Fund and Debt Service Fund. All three accounts are maintained as cash on deposit with Wells Fargo Bank.

As of June 30, 2013, cash on deposit totaled \$55,440.22 in these three separate accounts. Of this balance \$55,440 was readily available cash covered by federal depository insurance and the district had no other cash or investment accounts.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Description	Category			Carrying Amount	Market Value
	1	2	3		
FDIC Insurance	\$55,440	\$ -0-	\$ -0-	\$ 55,440	\$55,440
<b>Totals</b>	<b><u>\$55,440</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 55,440</u></b>	<b><u>\$55,440</u></b>

Texas Statutes authorize the Riviera Water Control and Improvement District to invest in:

1. obligations of the U. S. Treasury or its agencies;
2. direct obligation of the State of Texas or its agencies;
3. other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
4. obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm;
5. certificates of deposit that are insured by the Federal Deposit Insurance Corporation or secured by obligations having a market value of at least the principal amount of the certificates; and
6. fully collateralized direct repurchase agreements.

As of the end of this fiscal year, the District had no such investments.

**NOTE 3: GENERAL FIXED ASSETS**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their fair market value on the date donated.

For the year ended June 30, 2013, a summary of changes in general fixed assets follows:

Description	07/01/12	Additions	Deletions	06/30/13
Sewer System	\$ 922,954	\$-0-	\$-0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
<b>Totals</b>	<b><u>\$1,092,287</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$-0-</u></b>	<b><u>\$1,092,287</u></b>

The beginning balance shown for general fixed assets was the result of a capital project completed by Kleberg County and donated to the Riviera Water Control and Improvement District as the result of a grant by the Texas Department of Housing and Community Affairs Community Development Block Grant Program.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The beginning balance shown for general fixed assets was the result of a capital project completed by Kleberg County and donated to the Riviera Water Control and Improvement District as the result of a grant by the Texas Department of Housing and Community Affairs Community Development Block Grant Program.

**NOTE 4: GENERAL LONG-TERM DEBT**

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2013.

**G. O. Bonds Payable**

Balance at July 1, 2012	\$105,000
Plus Issues/Additions	-0-
Less: Maturities/Deletions	<u>20,000</u>
Balance at June 30, 2013	<u>\$ 85,000</u>

The bonds issued during 1995 are due in annual installments ranging from \$5,000 to \$25,000 through November 1, 2016 with interest varying from 3.75% to 5.550% payable semi-annually.

The Water District is now in general compliance with all significant limitations and restrictions contained in the bond indentures. There are sufficient funds in a Reserve/Interest and Sinking Fund to service the average annual outstanding debt for the term of the note payable and this account has been fully funded. A Debt Service Fund checking account was established by the District during 1998 and has served as a reserve account to fund debt service from the inception of the debt. During the previous fiscal year this debt service fund was funded at a rate of \$2023 monthly and as of June 30, 2013 this debt service fund checking account has a balance of \$27,569 and this is a sufficient balance to service the debt requirements for the upcoming fiscal year. As of June 30, 2013, the debt service reserve fund has a balance of \$25,428 and was funded during previous fiscal years at a rate of \$300 per month. The required balance in the debt service reserve fund as of June 30, 2013 is \$23,700 in order to meet or exceed the average annual debt service payments for the remaining term of the debt and thus the existing balance is sufficient at the end on the June 30, 2013 fiscal year to be in compliance with bond requirements.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The future annual requirements to amortize all general obligation principal and interest based on fiscal years ending June 30, are as shown below:

<b>Year End 06/30</b>	<b>Principal</b>	<b>Rate</b>	<b>Interest</b>	<b>Total</b>
2014	20,000	5.500	4,132	24,132
2015	20,000	5.500	3,038	23,038
2016	20,000	5.550	1,937	21,937
2017	<u>25,000</u>	<u>5.550</u>	<u>694</u>	<u>25,694</u>
<b>Totals</b>	<b><u>\$ 85,000</u></b>		<b><u>\$ 9,801</u></b>	<b><u>\$ 94,801</u></b>

**NOTE - PLEDGE OF REVENUES**

The Riviera Water Control and Improvement District Sewer System Revenue Bonds Series are payable from the net revenues of the District's Sewer System "Net revenues" are defined for this purpose as all gross revenues of the System less the expenses of administration, efficient operation and adequate maintenance of the System necessary to render sufficient services. Depreciation and interest on the indebtedness of the District and payments into the Interest and Sinking Fund shall never be considered as expenses for this purpose.

**SUPPLEMENTARY INFORMATION**

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
SERVICES AND RATES  
JUNE 30, 2013**

1. Services Provided by the District:

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

2. Retain Rates Based on 5/8" Meter: \_\_\_\_\_ Retain Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ 30.00	2,000	N	\$ 1.50	2,001 to No limit
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes \_\_\_\_\_ No X

Total wastewater charges per 10,000 gallons usage (including surcharges). \$42.00

3. Retail Service Providers: Number of retail water and/or wastewater connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	166		
Multi-Family	0		
Commercial	15		
Other-recreational centers, government & VFD	7		
<b>TOTAL</b>	<u>188</u>		

4. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system: \_\_\_\_\_

Gallons billed to customers: \_\_\_\_\_

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.



5. Standby Fees: Does the District assess standby fees? ☐ Yes ☒ No

For the most recent full fiscal year, FYE \_\_\_\_\_,:

Debt Service:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %
Operation & Maintenance:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? ☐ Yes ☐ No

6. Anticipated sources of funds to be used for debt service payments in the district's following fiscal year:

a. Debt Service Tax Receipts	\$ _____
b. Surplus Construction Funds	_____
c. Water and/or Wastewater Revenue	24,132
d. Standby Fees	_____
e. Debt Service Fund Balance to be Used	_____
f. Interest Revenues	_____
g. Other (Describe)	_____

TOTAL ANTICIPATED FUNDS TO BE USED\* \$ 24,132

This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7. Location of District:

County(ies) in which district is located. Kleberg

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

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

City(ies) in which district is located. \_\_\_\_\_

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

ETJ's in which district is located. \_\_\_\_\_

Is the general membership of the Board appointed by an office outside the district?  
Yes ☐ No ☒

If Yes, by whom? \_\_\_\_\_

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
SCHEDULE OF PROPRIETARY FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013

Professional Fees

Audit Fees & Expenses	2,300.00
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Utilities--

Utilities--Wastewater	19,701.87
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Administrative Expenses

Billing Contract	6,000.00
Disposal Fees	10,418.00
Office Supplies & Expenses	236.08
Supplies & Materials	6,937.69
License Fees & Expenses	2,800.00
Insurance	820.00
Maintenance & Repairs	2,213.47
Testing	626.68
Office Lease	1,020.00
Contract Labor	25,203.29
Telephone	661.18
Subtotal--Administrative Expenditures	56,936.39
Total Expenditures	78,938.26

Number of person employed by the District: 0 Full-time, 0 Part-time  
(Does not include independent contractors or consultants)

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
ANALYSIS OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balances at 07/01/2012</u>	<u>Additions Capital Outlay Expenditures</u>	<u>Other Additions Deletions, Reclassifications</u>	<u>Balances at 06/30/13</u>
Sewer System	\$ 922,954	\$ -0-	\$ -0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
Totals	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>
Amounts Provided by:				
General Fund:				
Revenues	\$ 5,949	\$ -0-	\$ -0-	\$ 5,949
Bond Proceeds	280,000	-0-	-0-	\$ 280,000
Other Governments	<u>806,338</u>	<u>-0-</u>	<u>-0-</u>	<u>806,338</u>
Revenues	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
AS OF JUNE 30, 2013**

Due During Year Ending	SERIES 1995		<u>Total</u>
	<u>Principal Due 11/01</u>	<u>Interest Due 05/01, 11/01</u>	
2014	20,000	4,132	24,132
2015	20,000	3,038	23,038
2016	20,000	1,937	21,937
2017	<u>25,000</u>	<u>694</u>	<u>25,694</u>
Totals	<u>\$ 85,000</u>	<u>\$ 9,801</u>	<u>\$ 94,801</u>

Note: The above series of bonds in the only outstanding issue as of June 30, 2013.

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT  
AS OF JUNE 30, 2013**

Interest Rates	3.75 - 5.550%
Dates Interest Payable	05/01, 11/01
Maturity Dates	11/01/97 to 11/01/16
Bonds Outstanding at Beginning of Current Year	\$ 105,000
Bonds Sold During the Current Year	-0-
Retirement during the Current Year	<u>20,000</u>
Bonds Outstanding at End of Current Year	<u>\$ 85,000</u>
Interest Paid during the Current Year	<u>\$ 5,218</u>
Paying Agent ' s Name and City:	
Series 1995: First Southwest Company	

Revenue Bonds	
Bond Authority:	
Amount Authorized by Voters	<u>\$280,000</u>
Amount Issued	<u>\$280,000</u>
Remaining to be Issued	<u>\$ -0-</u>
Debt Service Reserve Cash Balances as of June 30, 2013:	<u>\$ 25,428</u>
Average annual Debt Service Payment (Principal and Interest) for remaining term of all debt	<u>\$ 23,700</u>

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Complete District Mailing Address: P.O. Box 430, Riviera, Texas 78379

District Business Telephone Number: (512) 296-3605

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) Or Date Hired</u>	<u>Fees</u>	<u>Expense Reimburse- ments</u>	<u>Title Year End</u>	<u>Resident of District?</u>
<b>BOARD MEMBERS:</b>					
Toby Yaklin P. O. Box 244 Riviera, Texas 78379 (361) 296-4170	Elected 2007 to 2014	-		President	Yes
Sylvia Argujo P.O. Box 91 Riviera, Texas 78379 (361) 296-3202	Elected 2008 to 2014			Vice-Pres-	Yes
Felix Barrera P.O. Box 272 Riviera, Texas 78379 (361) 296-3934	Elected 1998 to 2014			Secretary- Director	Yes
Hilda Cantu P.O. Box 303 Riviera, Texas 78379 (361) 296-3395	Elected 2008-2014		--	Director	Yes
Noe Quantanilla Riviera, Texas 78379	Appointed 2010-2014			Director	Yes

**Note: No director is disqualified from serving on this board under the Texas Water Code.**

**RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Reimbursements &amp; Fees 06/30/13</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<b>CONSULTANTS:</b>				
Daniel Almeida Process Control Services P O Box 1012 Kingsville, Texas 78364	2009	\$15,900 5,535	Manager Wastewater System Wastewater Contractor	No
Lionila Villarreal 336 East CR 2305 Riviera, Texas 78379 (361) 296-3120	2010	\$2,400	Contract Secretary/ Bookkeeper	Yes

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
ENTERPRISE FUND  
JUNE 30, 2013

	BUDGET AMOUNT	ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
RESOURCES (INFLOWS)			
WATER REVENUES	90,000	97,541	7,541
GRANT/OTHER REVENUES		11	11
LATE CHARGES	1,000	0	(1,000)
	91,000	97,552	6,541
EXPENDITURES (OUTFLOWS)			
MATERIALS & SUPPLIES	5,100	6,938	(1,838)
OFFICE SUPPLIES & EXPENSE	300	236	64
EQUIPMENT EXPENSE	2,500	0	2,500
MAINTENANCE & REPAIRS	5,300	2,213	3,087
TESTING & LABORATORY	5,900	627	5,273
ELECTRICITY	13,400	19,702	(6,302)
INSURANCE	1,600	820	780
LICENSES & PERMITS	1,000	2,500	(1,500)
BILLING COLLECTIONS (RWS)	4,200	6,000	(1,800)
CONTRACT LABOR	23,175	25,203	(2,028)
PROFESSIONAL FEES	2,300	2,300	0
TELEPHONE	1,015	661	354
OFFICE LEASE	1,020	1,020	0
SOLID WASTE DISPOSAL	5,390	10,418	(5,028)
DEBT SERVICE-INTEREST	4,050	5,218	(1,168)
DEBT SERVICE FEES	300	300	0
TOTAL EXPENSES	76,550	84,156	(7,606)
NET INCOME	14,450	13,396	(1,064)
DEBT SERVICE-PRINCIPAL	20,000	20,000	0
CASH FLOW BUDGETED	(5,550)	(6,604)	(1,064)



## MANAGEMENT COMMENT LETTER

# Byron W. Blair, P.C.

Certified Public Accountant

September 17, 2013

Board of Directors  
Riviera Water Control  
And Improvement District  
Riviera, Texas

In planning and performing our audit of the financial statements of the Riviera Water Control and Improvement District (District) for the Year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

## Accounting Functions

During previous years the District utilized a computer accounting system with a balancing set of books and a general ledger. This computerized accounting system was better utilized and maintained on a current basis for the entire year. This facilitated providing accurate financial statements currently which allowed for an accurate financial review of operations on a monthly basis. The District should attempt to continue to utilize this system on a monthly basis and should continue to strive to provide current financial information to its board of directors.

## Billings and Collections of Sewer Revenue

The District continues to have an outside water supply company bill and collect the District's sewer revenue which continues to lack segregation of duties and does not have any checks and balances in place through the computer system currently being used. The billing system currently being utilized does have several improvements over the preceding system in that it shows totals for amounts due, payments received and ending balances on a monthly basis in order to facilitate a proper reconciliation of beginning and ending balances. This presentation gives the District added controls over the collection process on a monthly basis.

### **Budget Compliance**

The District adopts a budget annually and in the current year the budget adopted more closely reflected the historical costs incurred in prior years than had budgets in previous years. However, during the current year the current budget continued to have relatively large budget variances and the District should consider amending the budget throughout the year as needed. There were several instances of expenditures that had variances from budgeted amounts, with both positive and negative variances. The budget as adopted should be amended as necessary during the year to recognize variances in estimated revenue and expenses. These amended budgets would then be very helpful in adopting a more realistic budget for the succeeding years.

### **Bond Requirements**

During the year the District funded a debt service checking account to segregate funds intended for the retirement of current debt obligations. The District should continue to segregate funds on a current basis for the retirement of current debt obligations. Additionally during the year the District funded a Reserve Fund as per bond requirements to segregate funds restricted as a reserve fund for future debt service. This debt reserve fund is required to be equal to the average debt service requirement over the life of the debt and at year end this account exceeded this requirement and the funding of this reserve could be discontinued.

### **Bond Debt Requirements**

The total bond debt requirement (interest and principle) for the current year was \$25,217 and the average annual total debt service required for future years is \$23,700. For the current year the District was funding its debt service account in the amount of \$2,023 per month and the amount provided for debt service by operations through transfers this year did exceed debt requirement for the current year. The District's debt service account at year end totaled \$27,569.

The District is also funding a debt reserve account in the amount of \$300 per month to meet the reserve requirements of the bond indentures. At year end the District's reserve account totaled \$25,428. As mentioned previously, the average total debt service requirements for future years is \$23,700 and therefore the district is in compliance with the bond reserve requirements. The District should maintain this reserve balance to continue to be in compliance with bond requirements but is not required to continue funding the account as long as the balance in this reserve account exceeds the average debt service requirements for the remaining life of the note.

### **Internal Control**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Page 3

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose reportable conditions that are also considered to be material weaknesses as defined above.

The lack of controls over the billing and collection of sewer revenue and the lack of a report showing the aging of accounts receivable would be considered to be material weakness in internal control. These weaknesses are offset to a certain extent by the direct involvement of the board members themselves in the day to day operations of the district. The district does closely monitor past due accounts and was very successful in enforcing its shut off requirements which resulted in an increase in revenue collections during the current fiscal year.

This report is intended solely for the information and use of the Board of Directors, others within the organization, the Texas Natural Resource Conservation Commission, and The Texas Water Development Board.

We will be glad to discuss any portion of this letter or the audit with you. Thank you for the opportunity to be of service, and we look forward to working with you in the future.

Byron W. Blair, P.C.  
Certified Public Accountant

RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT  
EXPENSE COMPARISON  
FOR THE YEAR ENDED JUNE 30, 2013/2012

	6/30/13	6/30/12	CHANGE
REVENUE-SEWER BILLINGS	97,541.48	94,971.87	2,569.61
INTEREST INCOME	10.69	13.87	(3.18)
TOTAL INCOME	97,552.17	94,985.74	
OPERATING EXPENSES			
SLUDGE DISPOSAL FEES	10,418.00	10,663.78	(245.78)
OFFICE SUPPLIES & EXP	236.08	416.39	(180.31)
CONTRACT BILLING EXP	6,000.00	6,000.00	0.00
LICENSES FEES & EXP	2,500.00	1,250.00	1,250.00
ELECTRICITY	19,701.87	16,433.14	3,268.73
TELEPHONE	661.18	651.47	9.71
CONTRACT LABOR	25,203.29	19,958.39	5,244.90
INSURANCE	820.00	621.75	198.25
PROFESSIONAL FEES	2,300.00	2,150.00	150.00
SEWER TESTING	626.68	0.00	626.68
OFFICE RENTAL	1,020.00	1,020.00	0.00
AGENT FEES	300.00	300.00	0.00
MAINT & EXPENSES	2,213.47	3,080.55	(867.08)
SUPPLIES & MATERIALS	6,937.69	6,790.35	147.34
TOTAL OPERATING EXPENSES	78,938.26	69,335.82	
EQUIPMENT EXPENSES	0.00	0.00	0.00
BOND PRIN RETIRED	20,000.00	15,000.00	5,000.00
INTEREST-BOND INTEREST	5,217.50	6,158.75	(941.25)
CAPITAL RELATED EXPENDITURES	25,217.50	21,158.75	
TOTAL EXPENDITURES	104,155.76	90,494.57	
TOTAL EXP LESS PRINCIPLE PAID	84,155.76	75,494.57	
NET CHANGE IN ASSETS	13,396.41	19,491.17	

UNAUDITED SCHEDULE - PRESENTED FOR DISCUSSION PURPOSES ONLY

**RIVIERA MUNICIPAL UTILITY DISTRICT  
(FORMERLY RIVIERA WATER CONTROL AND IMPROVEMENT DISTRICT)  
FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**Byron W. Blair, P.C.**  
**, Certified Public Accountant**

**RIVIERA MUNICIPAL UTILITY DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS  
COUNTY OF KLEBERG

Riviera WCID

I, \_\_\_\_\_ of the Riviera Municipal Utility District (formerly the Riviera Water Control and Improvement District) hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the \_\_\_\_  
21st day of August, 2014, its annual audit report for the fiscal year or period ended June 30, 2014 and that copies of the annual report have been filed in the district office, located at Riviera, Texas.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: \_\_\_\_\_, 2014. By: \_\_\_\_\_

Sworn to and subscribed to before me this \_\_\_\_\_ day of August, 2014.

\_\_\_\_\_  
(Signature of Notary)

Commission expires on: \_\_\_\_\_, \_\_\_\_\_, Notary Public in the State of Texas.



# Byron W. Blair, P.C.

Certified Public Accountant

Board of Directors  
Riviera Municipal Utility District  
Riviera, Texas

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of Riviera Municipal Utility District, formerly Riviera Water Control and Improvement District, as of and for the year ended June 30, 2014, as listed in the table of contents. These financial statements are the responsibility of Riviera Municipal Utility District management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

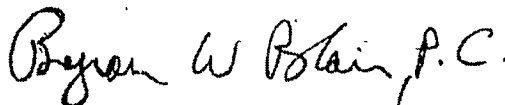
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riviera Municipal Utility District as of June 30, 2014, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express an opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.



Byron W. Blair, P.C.  
Certified Public Accountant

August 15, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Riviera Municipal Utility District's (formerly the Riviera Water Control and Improvement District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements which begin on page 8.

This annual report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets -- the difference between assets and liabilities -- as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's billing base and the condition of the District's assets, to assess the overall health of the District.

Generally in a governmental entity, such as a water district, the Statement of Net Assets and the Statement of Activities are divided into two types of activities:

- \* Governmental activities -- If the District provided basic governmental services these services would be reported here, including the general administration of the district. Sales taxes, franchise fees, fines and property taxes would finance these activities however this water district has no governmental activities.

- \* Business-type activities -- In this type of activity a governmental entity charges fees to customers to help it cover all or most of the cost of certain services it provides. The District's sewer operation is such an activity and its operations are reported in these statements.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

Our analysis of the District's major funds begins on page 10. These fund financial statements provide detailed information about the most significant funds -- not the District as a whole. Some funds are required to be established by State law and others by bond covenants. However, the District's Board may establish other funds to help it control and manage money for particular purposes (such as a Community Development Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. As stated above, The District does not have governmental activities and thus has only one type of fund, a proprietary fund.

\* Proprietary funds -- When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the activities we report in the government- wide statements but provide more detail and additional information, such as cash flows.

### THE DISTRICT AS A WHOLE

For the year ended June 30, 2014 the district's balance shown in net assets increased as follows:

	Total
Beginning Net Operating Assets	\$125,539
Increase in Net Operating Assets	<u>18,660</u>
Ending Net Operating Assets	\$144,199

The \$18,660 increase represents a 14.86% increase in net assets.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from the particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's customers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

**Business-type Activities**

While the District's proprietary fund is not necessarily designed to operate at a "profit", the fund is intended to operate at a level which would generate sufficient "income" to allow the fund to contribute to the retirement of bond debt. The fund accomplished this in that it contributed \$19,884 to the debt service fund and debt reserve fund to be applied toward the retirement of bond debt.

On a day to day operating basis, the District's direct revenues from the operation of its utility functions decreased slightly from the prior year decreasing from \$97,541 to \$97,130 while the direct expenses of operating the utility function also decreased from the prior year going from \$84,156 to \$78,476 (an 7.23% decrease). Although total operating costs declined, certain specific costs increased. Included in these specific costs showing increases was testing (\$3,014) and maintenance and repairs (\$6,220). An offset to the increased maintenance and repairs costs, supplies and materials decreased (\$2,005) as did contract labor (\$5,958). In the prior year, expenditures that could have been classified as repairs and maintenance were recorded as contract labor as the services were generally provided by the contract manager of the district and were included in the amount paid to that firm. The district continued its contract managed operations during the year and the cost of this specific management was \$15,900. The district's Sludge disposal expenses also decreased during the current year (\$5,738).

The bond principal paid during the current year totaled \$20,000 and the principal reduction amount will remain at this level for the next two years. In the final year of the bond amortization (2017) the principal payment will be \$25,000.

**THE DISTRICT'S FUNDS**

The above analysis of the change in net assets shows an increase in net operating assets of \$13,396. This increase in net operating assets resulted generally from reduction of debt with operating revenues exceeding operating expenses. This excess of revenues over expenses generally are reflected in the increase in the district's debt service and reserve accounts and in the reduction in long term debt payable.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions or comments, contact the District at P. O. Box 430, Riviera, Texas 78379.

## BASIC FINANCIAL STATEMENTS

RIVIERA MUNICIPAL UTILITY DISTRICT  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2014

ASSETS	PROPRIETARY FUND
<b>CURRENT ASSETS</b>	
CASH-OPERATING	5,143.24
CASH-DEBT SERVICE	22,473.80
CASH-DEBT RESERVE	25,571.25
ACCOUNTS RECEIVABLES-NET	9,976.50
TOTAL CURRENT ASSETS	63,164.79
<b>NON CURRENT ASSETS</b>	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NON-CURRENT ASSETS	1,092,287.00
<b>OTHER DEBITS</b>	
AMOUNT AVAILABLE FOR DEBT SERVICE	48,045.05
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	131,954.95
TOTAL OTHER DEBITS	180,000.00
<b>TOTAL ASSETS</b>	<b>1,335,451.79</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
ACCOUNTS PAYABLE	653.21
DEFERRED REVENUE	0.00
TOTAL CURRENT LIABILITIES	653.21
<b>NONCURRENT LIABILITIES</b>	
DEPOSITS PAYABLE	3,790.39
BONDS PAYABLE-SEWER PLANT	65,000.00
TOTAL NONCURRENT LIABILITIES	68,790.39
TOTAL LIABILITIES	69,443.60
<b>NET ASSETS</b>	
CAPITAL ASSETS INVESTMENTS, NET OF RELATED DEBT	144,199.25
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	1,266,008.19
TOTAL LIABILITIES AND NET ASSETS	1,335,451.79

The accompanying notes are an integral part of these financial statements

0000078

RIVIERA MUNICIPAL UTILITY DISTRICT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	EXPENSES	CHARGES FOR SERVICES	OPERATING TRANSFERS	NET (EXPENSES) REVENUES
FUNCTIONS/PROGRAMS				
BUSINESS TYPE ACTIVITIES				
UTILITY SERVICES	78,476.33	97,136.65	0.00	18,660.32
TOTAL BUSINESS TYPE ACTIVITIES	78,476.33	97,136.65	0.00	18,660.32
				PROPRIETARY FUND
CHANGES IN NET ASSETS				
NET REVENUES (EXPENSES)				18,660.32
CHANGE IN NET ASSETS				18,660.32
NET ASSETS - BEGINNING				125,538.93
NET ASSETS - ENDING				144,199.25
INVESTMENTS IN GENERAL FIXED ASSETS				1,121,808.94
TOTAL NET ASSETS				1,266,008.19

The accompanying notes are an integral part of these financial statements



RIVIERA MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2014

ASSETS	
CURRENT ASSETS	
CASH-OPERATING	5,143.24
CASH-DEBT SERVICE	22,473.80
CASH-INTEREST/SINKING RESERVE	25,571.25
ACCOUNTS RECEIVABLES-NET	9,976.50
TOTAL CURRENT ASSETS	63,164.79
NONCURRENT ASSETS	
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NONCURRENT ASSETS	1,092,287.00
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	48,045.05
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	131,954.95
TOTAL OTHER DEBITS	180,000.00
TOTAL ASSETS	1,335,451.79
LIABILITIES	
CURRENT LIABILITIES	
OTHER CURRENT LIABILITIES	653.21
TOTAL CURRENT LIABILITIES	653.21
NONCURRENT LIABILITIES	
DUE TO OTHER FUNDS	0.00
DEPOSITS PAYABLE	3,790.39
BONDS PAYABLE-SEWER SYSTEM	65,000.00
TOTAL NONCURRENT LIABILITIES	68,790.39
TOTAL LIABILITIES	69,443.60
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	144,199.25
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	1,266,008.19
TOTAL LIABILITIES AND NET ASSETS	1,335,451.79

The accompanying notes are an integral part of these financial statements

RIVIERA MUNICIPAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

OPERATING REVENUES	
SEWER REVENUE	97,130.23
OTHER OPERATING REVENUE	6.42
TOTAL OPERATING REVENUES	97,136.65
OPERATING EXPENSES	
PERSONAL SERVICES	932.21
MATERIALS & SUPPLIES	11,007.65
OUTSIDE SERVICES AND CHARGES	26,205.44
UTILITIES	19,783.51
EQPT. REPAIRS AND MAINTENANCE	8,433.66
TAXES & INSURANCE	2,220.75
LICENSES FEES & EXPENSES	642.00
BOND AGENT FEES	300.00
SOLID WASTE DISPOSAL	4,680.00
TOTAL OPERATING EXPENSES	74,205.22
NET OPERATING INCOME	22,931.43
NONOPERATING REVENUE & (EXPENSES)	
INTEREST EXPENSE-BOND DEBT	(4,271.11)
TOTAL NONOPERATING REVENUE (EXPENSE)	(4,271.11)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	18,660.32
OPERATING TRANSFERS IN (OUT)	0.00
NET INCOME	18,660.32
NET OPERATING ASSETS-BEGINNING OF YEAR	125,538.93
NET OPERATING ASSETS-END OF YEAR	144,199.25

The accompanying notes are an integral part of these financial statements

RIVIERA MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	96,178.49
PAYMENT TO SUPPLIERS	(73,325.97)
PAYMENTS TO EMPLOYEES	(932.21)
INTEREST INCOME	6.42
CHANGE IN CUSTOMER METER DEPOSITS	92.45
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	22,019.18
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PRINCIPAL PAID ON CAPITAL BONDS	(20,000.00)
INTEREST PAID ON CAPITAL DEBT	(4,271.11)
ADJUSTMENTS TO OTHER CURRENT LIABILITIES	0.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(24,271.11)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,251.93)
BALANCES-BEGINNING OF YEAR	55,440.22
BALANCES-END OF YEAR	53,188.29
CASH RECONCILIATION	
CASH-OPERATING	5,143.24
CASH-DEBT SERVICE	25,571.25
CASH-DEBT RESERVE	22,473.80
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	53,188.29

The accompanying notes are an integral part of these financial statements

RIVIERA MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	18,660.32
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES, NET	(951.74)
ACCOUNTS AND OTHER PAYABLES	39.49
OTHER ADJUSTMENTS	
INTEREST PAID-BOND DEBT	4,271.11
OPERATING SUBSIDIES AND TRANSFERS	0.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,019.18

The accompanying notes are an integral part of these financial statements

**NOTES TO FINANCIAL STATEMENTS**

**RIVIERA MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Riviera Municipal Utility District operates under a Board of Directors form of government and provides drainage and sewer services to the residents of the District.

The accounting policies of the Riviera Municipal Utility District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Creation of the District**

The Riviera Municipal Utility District, formerly the Riviera Water Control and Improvement District was created under the authority of the legislature of the State of Texas. It was formally organized on June 13, 1985 as a district to collect and treat wastewater. It is a political subdivision of the state. The governing body of the District is elected by the voters of the District. Among its duties, it approves contracts and determines when to issue bonds authorized by the voters of the District. In January 2014, the district received official state approval to convert to a municipal utility district and the name was changed to reflect that conversion.

**B. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its customers. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities. It has been determined, based on the above, that the reporting entity of Riviera Municipal Utility District, effective for the year ended June 30, 1999, includes only the funds and account groups of the District. No other entities met the necessary criteria for inclusion in the District's annual financial report.

**B. Fund Accounting**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

Resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three governmental fund types and two account groups.

**GOVERNMENTAL FUNDS:**

**General Fund** - The District has no General Fund. The district collects no tax revenue and relies on wastewater revenue to fund all activities.

**Proprietary Fund** - The Proprietary Fund is the general operating fund of the Water District. It is used to account for all water revenues.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is accounted for as an additional fund within the Proprietary Fund.

**RIVIERA MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Capital Projects Fund -** The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**ACCOUNT GROUPS:**

**General Fixed Asset Account Group -** The General Fixed Asset Account Group is used to account for fixed assets used by the Utility District. The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations. Infrastructure assets owned by the District are reported in this account group. See Note 4-General Fixed Assets for further discussion regarding fixed assets.

**The General Long-Term Debt Account Group -** The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from the Debt Service Fund. Also included in this account group is the District's liability for a note obtained to complete the District's sewer construction project.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become measurable and available as net current assets, that is, when they become susceptible to accrual. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred.

**E. Budgets and Budgetary Accounting**

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The district does not employ the use of encumbrance accounting as part of its regular financial reporting process.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Total Column on General Purpose Statements**

Total columns on the General Purpose Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles; neither, is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**RIVIERA MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2: CASH AND INVESTMENTS**

The Riviera Municipal Utility District maintains three separate cash accounts: Operating Fund, Interest and Sinking Fund and Debt Service Fund. All three accounts are maintained as cash on deposit with Wells Fargo Bank.

As of June 30, 2014, cash on deposit totaled \$53,188.29 in these three separate accounts. Of this balance \$53,188.29 was readily available cash covered by federal depository insurance and the district had no other cash or investment accounts.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Description	Category			Carrying Amount	Market Value
	1	2	3		
FDIC Insurance	\$53,188	\$ -0-	\$ -0-	\$ 53,188	\$53,188
Totals	<u>\$53,188</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,188</u>	<u>\$53,188</u>

Texas Statutes authorize the District to invest in:

1. obligations of the U. S. Treasury or its agencies;
2. direct obligation of the State of Texas or its agencies;
3. other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
4. obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm;
5. certificates of deposit that are insured by the Federal Deposit Insurance Corporation or secured by obligations having a market value of at least the principal amount of the certificates; and
6. fully collateralized direct repurchase agreements.

As of the end of this fiscal year, the District had no such investments as all cash accounts are maintained in FDIC insured interest bearing checking accounts and the district has no investment type accounts.

**NOTE 3: GENERAL FIXED ASSETS**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their fair market value on the date donated.

For the year ended June 30, 2014, a summary of changes in general fixed assets follows:

Description	07/01/13	Additions	Deletions	06/30/14
Sewer System	\$ 922,954	\$-0-	\$-0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
Totals	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$-0-</u>	<u>\$1,092,287</u>



**RIVIERA MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

The beginning balance shown for general fixed assets was the result of a capital project completed by Kleberg County and donated to the Riviera Water Control and Improvement District, predecessor to Riviera Municipal Utility District, as the result of a grant by the Texas Department of Housing and Community Affairs Community Development Block Grant Program.

**NOTE 4: GENERAL LONG-TERM DEBT**

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2014.

**G. O. Bonds Payable**

Balance at July 1, 2013	\$ 85,000
Plus Issues/Additions	-0-
Less: Maturities/Deletions	<u>20,000</u>
Balance at June 30, 2014	<u>\$ 65,000</u>

The bonds issued during 1995 are due in annual installments ranging from \$5,000 to \$25,000 through November 1, 2016 with interest varying from 3.75% to 5.550% payable semi-annually.

The Utility District is now in general compliance with all significant limitations and restrictions contained in the bond indentures. There are sufficient funds in a Reserve/Interest and Sinking Fund to service the average annual outstanding debt for the term of the note payable and this account has been fully funded. A Debt Service Fund checking account was established by the District during 1998 and has served as a reserve account to fund debt service from the inception of the debt. During the previous fiscal year this debt service fund was funded at a rate of \$2023 monthly and as of June 30, 2014 this debt service fund checking account has a balance of \$22,474 and this is a sufficient balance, when combined with the excess funds in the debt reserve fund, to service the debt requirements for the upcoming fiscal year. As of June 30, 2014, the debt service reserve fund has a balance of \$25,571 and was funded during previous fiscal years at a rate of \$300 per month. The required balance in the debt service reserve fund as of June 30, 2014 is \$23,556 in order to meet or exceed the average annual debt service payments for the remaining term of the debt and thus the existing balance is sufficient at the end on the June 30, 2014 fiscal year to be in compliance with bond requirements.

**RIVIERA MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

The future annual requirements to amortize all general obligation principal and interest based on fiscal years ending June 30, are as shown below:

Year End 06/30	Principal	Rate	Interest	Total
2015	20,000	5.500	3,038	23,038
2016	20,000	5.550	1,937	21,937
2017	<u>25,000</u>	<u>5.550</u>	<u>694</u>	<u>25,694</u>
Totals	<u>\$ 65,000</u>		<u>\$ 5,669</u>	<u>\$ 70,669</u>

**NOTE - PLEDGE OF REVENUES**

The Riviera Municipal Utility District Sewer System Revenue Bonds Series are payable from the net revenues of the District's Sewer System "Net revenues" are defined for this purpose as all gross revenues of the System less the expenses of administration, efficient operation and adequate maintenance of the System necessary to render sufficient services. Depreciation and interest on the indebtedness of the District and payments into the Interest and Sinking Fund shall never be considered as expenses for this purpose.

## **SUPPLEMENTARY INFORMATION**

**RIVIERA MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
JUNE 30, 2014**

**1. Services Provided by the District:**

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

**2. Retain Rates Based on 5/8" Meter:** \_\_\_\_\_ Retain Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ <u>30.00</u>	<u>2,000</u>	<u>N</u>	\$ <u>1.50</u>	<u>2,001</u> to <u>No limit</u>
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes \_\_\_\_\_ No X

Total wastewater charges per 10,000 gallons usage (including surcharges). \$42.00

**3. Retail Service Providers: Number of retail water and/or wastewater connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:**

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	<u>168</u>	_____	_____
Multi-Family	<u>-0-</u>	_____	_____
Commercial	<u>17</u>	_____	_____
Other-recreational centers, government & VFD	<u>6</u>	_____	_____
<b>TOTAL</b>	<u>191</u>	_____	_____

**4. Total Water Consumption (In Thousands) During The Fiscal Year:**

Gallons pumped into system: \_\_\_\_\_

Gallons billed to customers: \_\_\_\_\_

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.

5. Standby Fees: Does the District assess standby fees? ☐ Yes ☒ No

For the most recent full fiscal year, FYE \_\_\_\_\_:

Debt Service:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %
Operation & Maintenance:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? ☐ Yes ☐ No

6. Anticipated sources of funds to be used for debt service payments in the district's following fiscal year:

a. Debt Service Tax Receipts	\$ _____
b. Surplus Construction Funds	_____
c. Water and /or Wastewater Revenue	23,038
d. Standby Fees	_____
e. Debt Service Fund Balance to be Used	_____
f. Interest Revenues	_____
g. Other (Describe)	_____

TOTAL ANTICIPATED FUNDS TO BE USED\* \$ 23,038

This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7. Location of District:

County(ies) in which district is located. Kleberg

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

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

City(ies) in which district is located. \_\_\_\_\_

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

ETJ's in which district is located. \_\_\_\_\_

Is the general membership of the Board appointed by an office outside the district?  
Yes ☐ No ☒

If Yes, by whom? \_\_\_\_\_

RIVIERA MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF PROPRIETARY FUND EXPENDITURES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

Professional Fees

Audit Fees & Expenses	2,300.00
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Utilities-

Utilities-Wastewater	18,903.09
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Administrative Expenses

Billing Contract	6,000.00
Disposal Fees	4,680.00
Office Supplies & Expenses	74.55
Supplies & Materials	4,933.10
License Fees & Expenses	642.00
Bond Agent Fees	300.00
Insurance	970.75
Maintenance & Repairs	8,433.66
Testing	3,640.58
Office Lease	1,020.00
Contract Labor	19,244.86
Permits	1,250.00
Equipment Rental	932.21
Telephone	880.42
Subtotal-Administrative Expenditures	53,002.13
Total Expenditures	74,205.22

Number of person employed by the District: 0 Full-time, 0 Part-time  
(Does not include independent contractors or consultants)

The accompanying notes are an integral part of these financial statements

**RIVIERA MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balances at 07/01/2013</u>	<u>Additions Capital Outlay Expenditures</u>	<u>Other Additions Deletions, Reclassifications</u>	<u>Balances at 06/30/14</u>
Sewer System	\$ 922,954	\$ -0-	\$ -0-	\$ 922,954
Organizational Costs	<u>169,333</u>	<u>-0-</u>	<u>-0-</u>	<u>169,333</u>
Totals	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>
<b>Amounts Provided by:</b>				
General Fund:				
Revenues	\$ 5,949	\$ -0-	\$ -0-	\$ 5,949
Bond Proceeds	280,000	-0-	-0-	\$ 280,000
Other Governments	<u>806,338</u>	<u>-0-</u>	<u>-0-</u>	<u>806,338</u>
Revenues	<u>\$1,092,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,092,287</u>

**RIVIERA MUNICIPAL UTILITY DISTRICT  
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
AS OF JUNE 30, 2014**

Due During Year Ending	SERIES 1995		
	Principal <u>Due 11/01</u>	Interest <u>Due 05/01, 11/01</u>	<u>Total</u>
2015	20,000	3,038	23,038
2016	20,000	1,937	21,937
2017	<u>25,000</u>	<u>694</u>	<u>25,694</u>
Totals	<u>\$ 65,000</u>	<u>\$ 5,669</u>	<u>\$ 70,669</u>

Note: The above series of bonds in the only outstanding issue as of June 30, 2014.



**RIVIERA MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT  
AS OF JUNE 30, 2014**

Interest Rates	3.75 - 5.550%
Dates Interest Payable	05/01, 11/01
Maturity Dates	11/01/97 to 11/01/16
Bonds Outstanding at Beginning of Current Year	\$ 85,000
Bonds Sold During the Current Year	-0-
Retirement during the Current Year	<u>20,000</u>
Bonds Outstanding at End of Current Year	<u>\$ 65,000</u>
Interest Paid during the Current Year	<u>\$ 4,132</u>
Paying Agent's Name and City:	
Series 1995: First Southwest Company	

**Revenue Bonds**

**Bond Authority:**

Amount Authorized by Voters	<u>\$280,000</u>
Amount Issued	<u>\$280,000</u>
Remaining to be Issued	<u>\$ -0-</u>

Debt Service Reserve Cash Balances as of June 30, 2014:	<u>\$ 25,428</u>
Average annual Debt Service Payment (Principal and Interest) for remaining term of all debt	<u>\$ 23,556</u>

**RIVIERA MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
FOR THE YEAR ENDED JUNE 30, 2014**

Complete District Mailing Address: P.O. Box 430, Riviera, Texas 78379

District Business Telephone Number: (512) 296-3605

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) Or Date Hired</u>	<u>Fees</u>	<u>Expense Reimburse- ments</u>	<u>Title Year End</u>	<u>Resident of District?</u>
<b>BOARD MEMBERS:</b>					
Toby Yaklin P. O. Box 244 Riviera, Texas 78379 (361) 296-4170	Elected 2007 to 2016	-		President	Yes
Sylvia Argujo P.O. Box 91 Riviera, Texas 78379 (361) 296-3202	Elected 2008 to 2016			Vice-Pres-	Yes
Felix Barrera P.O. Box 272 Riviera, Texas 78379 (361) 296-3934	Elected 1998 to 2016			Secretary- Director	Yes
Hilda Cantu P.O. Box 303 Riviera, Texas 78379 (361) 296-3395	Elected 2008-2016			Director	Yes
Noe Quantanilla Riviera, Texas 78379	Appointed 2010-2016			Director	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

**RIVIERA MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Reimbursements &amp; Fees 06/30/14</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<b>CONSULTANTS:</b>				
Daniel Almeida Process Control Services P O Box 1012 Kingsville, Texas 78364	2009	\$15,900 326	Manager Wastewater System Wastewater Contractor	No
Lionila Villarreal 336 East CR 2305 Riviera, Texas 78379 (361) 296-3120	2010	\$2,400	Contract Secretary/ Bookkeeper	Yes

RIVIERA MUNICIPAL UTILITY DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	BUDGET AMOUNT	ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
RESOURCES (INFLOWS)			
WATER REVENUES	95,000	97,130	2,130
GRANT/OTHER REVENUES		0	0
LATE CHARGES	1,000	6	(994)
	96,000	97,137	1,137
EXPENDITURES (OUTFLOWS)			
MATERIALS & SUPPLIES	5,100	4,933	167
OFFICE SUPPLIES & EXPENSE	300	75	225
EQUIPMENT EXPENSE	2,500	0	2,500
MAINTENANCE & REPAIRS	5,300	8,434	(3,134)
TESTING & LABORATORY	5,900	3,641	2,259
ELECTRICITY	18,000	18,903	(903)
INSURANCE	1,000	971	29
LICENSES & PERMITS	1,000	642	358
BILLING COLLECTIONS (RWS)	6,000	6,000	0
CONTRACT LABOR	20,000	19,245	755
PROFESSIONAL FEES	2,300	2,300	0
TELEPHONE	1,015	880	135
OFFICE LEASE	1,020	1,020	0
SOLID WASTE DISPOSAL	5,500	4,680	820
DEBT SERVICE-INTEREST	4,100	4,271	(171)
PERMITS	1250	1,250	0
EQUIPMENT RENTAL		932	(932)
BOND AGENT FEES	300	300	0
TOTAL EXPENSES	80,585	78,476	2,109
NET INCOME	15,415	18,660	3,245
DEBT SERVICE-PRINCIPAL	20,000	20,000	0
CASH FLOW BUDGETED	(4,585)	(1,340)	3,245

The accompanying notes are an integral part of these financial statements