

MANAGEMENT LETTER COMMENTS

Byron W. Blair, P.C.

Certified Public Accountant

August 15, 2014

Board of Directors
Riviera Municipal Utility District
Riviera, Texas

In planning and performing our audit of the financial statements of the Riviera Municipal Utility District (formerly the Riviera Water Control and Improvement District) for the Year ended June 30, 2014, 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 operating statements currently which allowed for an accurate financial review of operations on a monthly basis. The District should 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 \$24,132 and the average annual total debt service required for future years is \$23,556. 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 \$22,474.

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 \$25,571. As mentioned previously, the average total debt service requirements for future years is \$23,556 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.

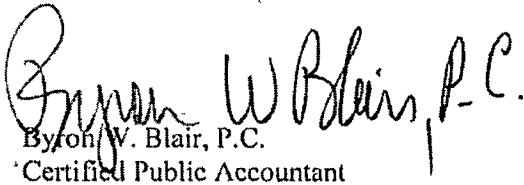
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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose reportable conditions that are also 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

UNAUDITED SCHEDULE - PRESENTED FOR DISCUSSION PURPOSES ONLY

RIVIERA MUNICIPAL UTILITY DISTRICT
REVENUE/EXPENSE COMPARISON
FOR THE FISCAL YEAR ENDING JUNE 30, 2014/2013

	6/30/14	6/30/13	CHANGE
REVENUE-SEWER BILLINGS	97,130.23	97,541.48	(411.25)
INTEREST INCOME	6.42	10.69	(4.27)
TOTAL INCOME	97,136.65	97,552.17	
OPERATING EXPENSES			
SLUDGE DISPOSAL FEES	4,680.00	10,418.00	(5,738.00)
OFFICE SUPPLIES & EXP	74.55	236.08	(161.53)
CONTRACT BILLING EXP	6,000.00	6,000.00	0.00
LICENSES FEES & EXP	642.00	1,250.00	(608.00)
ELECTRICITY	18,903.09	19,701.87	(798.78)
TELEPHONE	880.42	661.18	219.24
CONTRACT LABOR	19,244.86	25,203.29	(5,958.43)
INSURANCE	970.75	820.00	150.75
PROFESSIONAL FEES	2,300.00	2,300.00	0.00
SEWER TESTING	3,640.58	626.68	3,013.90
OFFICE RENTAL	1,020.00	1,020.00	0.00
AGENT FEES	300.00	300.00	0.00
PERMITS	1,250.00	1,250.00	0.00
EQUIPMENT RENTAL	932.21		932.21
MAINT & EXPENSES	8,433.66	2,213.47	6,220.19
SUPPLIES & MATERIALS	4,933.10	6,937.69	(2,004.59)
TOTAL OPERATING EXPENSES	74,205.22	78,938.26	
EQUIPMENT EXPENSES	0.00	0.00	0.00
BOND PRIN RETIRED	20,000.00	20,000.00	0.00
INTEREST-BOND INTEREST	4,271.11	5,217.50	(946.39)
CAPITAL RELATED EXPENDITURES	24,271.11	25,217.50	
TOTAL EXPENDITURES	98,476.33	104,155.76	
TOTAL EXP LESS PRINCIPLE PAID	78,476.33	84,155.76	
NET CHANGE IN ASSETS	18,660.32	13,396.41	

UNAUDITED SCHEDULE - PRESENTED FOR DISCUSSION PURPOSES ONLY

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

JUNE 30, 2015

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

**RIVIERA MUNICIPAL UTILITY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

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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 17th day of September, 2015, its annual audit report for the fiscal year or period ended June 30, 2015 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: _____, 2015. By: _____

Sworn to and subscribed to before me this _____ day of September, 2015.

(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, 2015, 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.

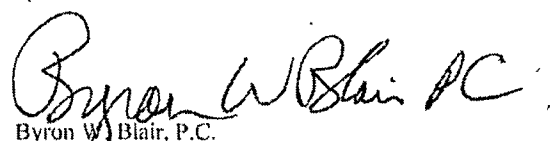
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2015, 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 16, 2015

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, 2015. 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, 2015 the district's balance shown in net assets increased as follows:

	Total
Beginning Net Operating Assets	\$144,199
Increase in Net Operating Assets	<u>34,808</u>
Ending Net Operating Assets	\$179,007

The \$34,808 increase represents a 24.14% 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 \$27,876 to the debt service fund and debt reserve fund to be applied toward and held in reserve for 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 from the prior year increasing from \$97,130 to \$110,039 while the direct expenses of operating the utility function decreased from the prior year from \$78,476 to \$75,232 (a 4.2% decrease). Although total operating costs declined, certain specific cost increased. Included in these specific costs showing increases was contract labor (\$3,561) permits, licenses and fees (\$3,302) and office supplies (\$1,025). An offset to the increased contract labor costs, contract billing expense decreased (\$2,000) as did sludge disposal (\$1,957).

The district continued its contract managed operations during the year and the cost of this specific management was \$15,900. The district however assumed the duties of billing and collecting for its services effective in January 2015. This change in the district's billing and collection process with the effect of the timing of receipts from the water supply company resulted in the district essentially receiving an extra month of revenue collections. For example the water supply company collected its November billings in December and remitted these sewer related collections to the District in January. The water supply company collected its December billings in January and remitted the sewer related collections to the District in February. However, the district prepared its own January invoices and collected these funds in February resulting in receipts from the water supply company being received in February as well as actual receipts from the district's customers being received in February also. The amount received from the water supply company in February totaled \$8,683.

The bond principal paid during the current year totaled \$20,000 and the principal reduction amount will remain at this level for next year. 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 \$34,808. This increase in net operating assets resulted generally from increased revenue and a reduction of operating expenses 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, 2015

ASSETS	PROPRIETARY FUND
CURRENT ASSETS	
CASH-OPERATING	14,118.67
CASH-DEBT SERVICE	26,079.10
CASH-DEBT RESERVE	26,809.75
ACCOUNTS RECEIVABLES-NET	8,522.00
TOTAL CURRENT ASSETS	75,529.52
NON CURRENT ASSETS	
OFFICE EQUIPMENT	2,482.15
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NON-CURRENT ASSETS	1,094,769.15
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	52,888.85
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	127,111.15
TOTAL OTHER DEBITS	180,000.00
TOTAL ASSETS	1,350,298.67
LIABILITIES	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	600.25
DEFERRED REVENUE	0.00
TOTAL CURRENT LIABILITIES	600.25
NONCURRENT LIABILITIES	
DEPOSITS PAYABLE	3,882.84
BONDS PAYABLE-SEWER PLANT	45,000.00
TOTAL NONCURRENT LIABILITIES	48,882.84
TOTAL LIABILITIES	49,483.09
NET ASSETS	
CAPITAL ASSETS INVESTMENTS, NET OF RELATED DEBT	179,006.64
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	1,300,815.58
TOTAL LIABILITIES AND NET ASSETS	1,350,298.67

The accompanying notes are an integral part of these financial statements

RIVIERA MUNICIPAL UTILITY DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING TRANSFERS	NET (EXPENSES) REVENUES
BUSINESS TYPE ACTIVITIES				
UTILITY SERVICES	75,231.70	110,039.09	0.00	34,807.39
TOTAL BUSINESS TYPE ACTIVITIES	75,231.70	110,039.09	0.00	34,807.39
				PROPRIETARY FUND
CHANGES IN NET ASSETS				
NET REVENUES (EXPENSES)				34,807.39
CHANGE IN NET ASSETS				34,807.39
NET ASSETS - BEGINNING				144,199.25
NET ASSETS - ENDING				179,006.64
INVESTMENTS IN GENERAL FIXED ASSETS				1,121,808.94
TOTAL NET ASSETS				1,300,815.58

The accompanying notes are an integral part of these financial statements

RIVIERA MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2015

ASSETS	
CURRENT ASSETS	
CASH-OPERATING	14,118.67
CASH-DEBT SERVICE	26,079.10
CASH-INTEREST/SINKING RESERVE	26,809.75
ACCOUNTS RECEIVABLES-NET	8,522.00
TOTAL CURRENT ASSETS	75,529.52
NONCURRENT ASSETS	
OFFICE EQUIPMENT	2,482.15
SEWER SYSTEM	922,954.00
ORGANIZATIONAL COSTS	169,333.00
TOTAL NONCURRENT ASSETS	1,094,769.15
OTHER DEBITS	
AMOUNT AVAILABLE FOR DEBT SERVICE	52,888.85
AMOUNT TO BE PROVIDED FOR DEBT SERVICE	127,111.15
TOTAL OTHER DEBITS	180,000.00
TOTAL ASSETS	1,350,298.67
LIABILITIES	
CURRENT LIABILITIES	
OTHER CURRENT LIABILITIES	600.25
TOTAL CURRENT LIABILITIES	600.25
NONCURRENT LIABILITIES	
DUE TO OTHER FUNDS	0.00
DEPOSITS PAYABLE	3,882.84
BONDS PAYABLE-SEWER SYSTEM	45,000.00
TOTAL NONCURRENT LIABILITIES	48,882.84
TOTAL LIABILITIES	49,483.09
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	179,006.64
INVESTMENTS IN GENERAL FIXED ASSETS	1,121,808.94
TOTAL NET ASSETS	1,300,815.58
TOTAL LIABILITIES AND NET ASSETS	1,350,298.67

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, 2015

OPERATING REVENUES	
SEWER REVENUE	110,027.99
OTHER OPERATING REVENUE	11.10
TOTAL OPERATING REVENUES	110,039.09
OPERATING EXPENSES	
MATERIALS & SUPPLIES	10,305.07
OUTSIDE SERVICES AND CHARGES	30,108.73
UTILITIES	19,539.06
EQPT. REPAIRS AND MAINTENANCE	2,862.59
TAXES & INSURANCE	4,606.25
LICENSES FEES & EXPENSES	1,750.00
BOND AGENT FEES	300.00
SOLID WASTE DISPOSAL	2,722.50
TOTAL OPERATING EXPENSES	72,194.20
NET OPERATING INCOME	37,844.89
NONOPERATING REVENUE & (EXPENSES)	
INTEREST EXPENSE-BOND DEBT	(3,037.50)
TOTAL NONOPERATING REVENUE (EXPENSE)	(3,037.50)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	34,807.39
OPERATING TRANSFERS IN (OUT)	0.00
NET INCOME	34,807.39
NET OPERATING ASSETS-BEGINNING OF YEAR	144,199.25
NET OPERATING ASSETS-END OF YEAR	179,006.64

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	111,482.49
PAYMENT TO SUPPLIERS	(72,247.16)
PAYMENTS TO EMPLOYEES	0.00
INTEREST INCOME	11.10
CHANGE IN CUSTOMER METER DEPOSITS	92.45
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	39,338.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PRINCIPAL PAID ON CAPITAL BONDS	(20,000.00)
INTEREST PAID ON CAPITAL DEBT	(3,037.50)
EQUIPMENT ADDITIONS	(2,482.15)
ADJUSTMENTS TO OTHER CURRENT LIABILITIES	0.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(25,519.65)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,819.23
BALANCES-BEGINNING OF YEAR	53,188.29
BALANCES-END OF YEAR	67,007.52
CASH RECONCILIATION	
CASH-OPERATING	14,118.67
CASH-DEBT SERVICE	26,809.75
CASH-DEBT RESERVE	26,079.10
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	67,007.52

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)	34,807.39
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
CHANGES IN ASSETS AND LIABILITIES:	
RECEIVABLES, NET	1,454.50
ACCOUNTS AND OTHER PAYABLES	39.49
OTHER ADJUSTMENTS	
INTEREST PAID-BOND DEBT	3,037.50
OPERATING SUBSIDIES AND TRANSFERS	0.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	39,338.88

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, 2015**

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, 2015**

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, 2015**

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, 2015, cash on deposit totaled \$, in these three separate accounts. Of this balance \$ 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, 2015, a summary of changes in general fixed assets follows:

Description	07/01/14	Additions	Deletions	06/30/15
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, 2015**

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, 2015.

G. O. Bonds Payable

Balance at July 1, 2014	\$ 65,000
Plus Issues/Additions	-0-
Less: Maturities/Deletions	<u>20,000</u>
Balance at June 30, 2015	<u>\$ 45,000</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, 2015 this debt service fund checking account has a balance of \$ 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, 2015, the debt service reserve fund has a balance of \$ 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, 2015 is \$ 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, 2015 fiscal year to be in compliance with bond requirements.

**RIVIERA MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
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>\$ 45,000</u>		<u>\$ 2,631</u>	<u>\$ 47,631</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 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:	\$ <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>	_____	_____
TOTAL	<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, 2015

Professional Fees

	Audit Fees & Expenses	2,525.00
--	-----------------------	----------

Utilities-

	Utilities-Wastewater	18,454.98
--	----------------------	-----------

Administrative Expenses

	Billing Contract	4,000.00
	Disposal Fees	2,722.50
	Office Supplies & Expenses	1,099.15
	Supplies & Materials	5,205.92
	License Fees & Expenses	1,750.00
	Bond Agent Fees	300.00
	Insurance	1,162.25
	Maintenance & Repairs	2,862.59
	Testing	3,757.73
	Office Lease	1,020.00
	Contract Labor	22,806.00
	Permits	3,444.00
	Equipment Rental	0.00
	Telephone	1,084.08
	Subtotal-Administrative Expenditures	51,214.22
	Total Expenditures	72,194.20

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, 2015**

	<u>Balances at 07/01/2014</u>	<u>Additions Capital Outlay Expenditures</u>	<u>Other Additions Deletions, Reclassifications</u>	<u>Balances at 06/30/15</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 MUNICIPAL UTILITY DISTRICT
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
AS OF JUNE 30, 2015**

Due During Year Ending	SERIES 1995		
	Principal <u>Due 11/01</u>	Interest <u>Due 05/01, 11/01</u>	<u>Total</u>
2016	20,000	1,937	21,937
2017	<u>25,000</u>	<u>694</u>	<u>25,694</u>
Totals	<u>\$ 45,000</u>	<u>\$ 2,631</u>	<u>\$ 47,631</u>

Note: The above series of bonds is the only outstanding issue as of June 30, 2015.

**RIVIERA MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
AS OF JUNE 30, 2015**

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	\$ 65,000
Bonds Sold During the Current Year	-0-
Retirement during the Current Year	<u>20,000</u>
Bonds Outstanding at End of Current Year	<u>\$ 45,000</u>
Interest Paid during the Current Year	<u>\$ 3,038</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, 2015:	<u>\$</u>
Average annual Debt Service Payment (Principal and Interest) for remaining term of all debt	<u>\$ 23,816</u>

**RIVIERA MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2015**

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>
BOARD MEMBERS:					
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, 2015**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Reimbursements & Fees 06/30/14</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
CONSULTANTS:				
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, 2015

	BUDGET AMOUNT	ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
RESOURCES (INFLOWS)			
WATER REVENUES	95,000	110,028	15,028
GRANT/OTHER REVENUES		0	0
LATE CHARGES	1,000	11	(989)
	96,000	110,039	14,039
EXPENDITURES (OUTFLOWS)			
MATERIALS & SUPPLIES	5,100	5,206	(106)
OFFICE SUPPLIES & EXPENSE	300	1,099	(799)
EQUIPMENT EXPENSE	2,500	2,482	18
MAINTENANCE & REPAIRS	5,300	2,863	2,437
TESTING & LABORATORY	5,900	3,758	2,142
ELECTRICITY	18,000	18,455	(455)
INSURANCE	1,000	1,162	(162)
LICENSES & PERMITS	1,000	1,750	(750)
BILLING COLLECTIONS (RWS)	6,000	4,000	2,000
CONTRACT LABOR	20,000	22,806	(2,806)
PROFESSIONAL FEES	2,300	2,525	(225)
TELEPHONE	1,015	1,084	(69)
OFFICE LEASE	1,020	1,020	0
SOLID WASTE DISPOSAL	5,500	2,723	2,778
DEBT SERVICE-INTEREST	4,100	3,038	1,063
PERMITS	1250	3,444	(2,194)
BOND AGENT FEES	300	300	0
TOTAL EXPENSES	80,585	75,232	2,871
NET INCOME	15,415	34,807	16,910
DEBT SERVICE-PRINCIPAL	20,000	20,000	0
CASH FLOW BUDGETED	(4,585)	14,807	16,910

The accompanying notes are an integral part of these financial statements

MANAGEMENT LETTER COMMENTS

September 15, 2015

Board of Directors
Riviera Municipal Utility District
Riviera, Texas

In planning and performing our audit of the financial statements of the Riviera Municipal Utility District (formerly the Riviera Water Control and Improvement District) for the Year ended June 30, 2015, 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 operating statements currently which allowed for an accurate financial review of operations on a monthly basis. The District should 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 assumed responsibility for billing and collecting the District's sewer revenue as of January, 2015 which previously was contracted to the water supply company. To facilitate the billing, the District acquired the same billing system utilized by the water supply company and that system is installed and operational.

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 \$23,038 and the average annual total debt service required for future years is \$23,815. 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 \$26,079.

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 \$26,810. As mentioned previously, the average total debt service requirements for future years is \$23,815 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

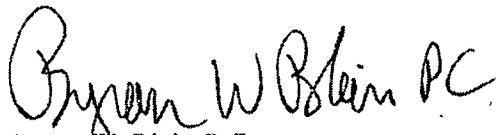
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose reportable conditions that are also considered to be material weaknesses as defined above.

With the District's assumption of the billing and collection process the lack of segregation of duties between billing and collections would be considered to be a 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, reading "Byron W Blair P.C.", written in a cursive style.

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

UNAUDITED SCHEDULE - PRESENTED FOR DISCUSSION PURPOSES ONLY

RIVIERA MUNICIPAL UTILITY DISTRICT
REVENUE/EXPENSE COMPARISON
FOR THE FISCAL YEAR ENDING JUNE 30, 2015/2014

	6/30/15	6/30/14	CHANGE
REVENUE-SEWER BILLINGS	110,027.99	97,541.48	12,486.51
INTEREST INCOME	11.1	10.69	0.41
TOTAL INCOME	110,039.09	97,552.17	
OPERATING EXPENSES			
SLUDGE DISPOSAL FEES	2,722.50	4,680.00	(1,957.50)
OFFICE SUPPLIES & EXP	1,099.15	74.55	1,024.60
CONTRACT BILLING EXP	4,000.00	6,000.00	(2,000.00)
LICENSES FEES & EXP	1,750.00	642.00	1,108.00
ELECTRICITY	18,454.98	18,903.09	(448.11)
TELEPHONE	1,084.08	880.42	203.66
CONTRACT LABOR	22,806.00	19,244.86	3,561.14
INSURANCE	1,162.25	970.75	191.50
PROFESSIONAL FEES	2,525.00	2,300.00	225.00
SEWER TESTING	3,757.73	3,640.58	117.15
OFFICE RENTAL	1,020.00	1,020.00	0.00
AGENT FEES	300.00	300.00	0.00
PERMITS	3,444.00	1,250.00	2,194.00
MAINT & EXPENSES	2,862.59	8,433.66	(5,571.07)
SUPPLIES & MATERIALS	5,205.92	5,865.42	(659.50)
TOTAL OPERATING EXPENSES	72,194.20	74,205.33	
EQUIPMENT EXPENSES	2,482.15	0.00	2,482.15
BOND PRIN RETIRED	20,000.00	20,000.00	0.00
INTEREST-BOND INTEREST	3,037.50	4,271.00	_(1,233.50)
CAPITAL RELATED EXPENDITURES	25,519.65	24,271.00	
TOTAL EXPENDITURES	97,713.85	98,476.33	
TOTAL EXP LESS PRINCIPLE PAID	77,713.85	78,476.33	
NET CHANGE IN ASSETS	34,807.39	19,075.84	

UNAUDITED SCHEDULE - PRESENTED FOR DISCUSSION PURPOSES ONLY

0000142