

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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Members of
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Concho Rural Water Corporation
Carlsbad, Texas

We have compiled the accompanying statement of assets, liabilities, and stockholders' equity - income tax basis of Concho Rural Water Corporation (a corporation) as of December 31, 2013, and the related statement of revenues, expenses, and retained earnings - income tax basis for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Corporation's assets, liabilities, stockholders' equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Concho Rural Water Corporation.

As discussed in "Selected Information" to the financial statements, an error resulting in an overstatement of an item of income on the statement of revenues, expenses, and retained earnings - income tax basis, which in effect decreased retained earnings on the statement of assets, liabilities, and stockholders' equity - income tax basis as of December 31, 2013, was discovered subsequent to the issuance of our report on those financial statements dated March 13, 2014. Accordingly, the accompanying 2013 financial statements have been restated to correct the error.

Eckert & Company, LLP

March 13, 2014, Restated on August 5, 2014

CONCHO RURAL WATER CORPORATION
Statement of Assets, Liabilities, and Stockholders' Equity - Income Tax Basis
December 31, 2013

ASSETS

CURRENT ASSETS

Cash in Bank		\$ 767,610
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PROPERTY, PLANT, AND EQUIPMENT

Land	\$ 1,643,445	
Equipment and Improvements	6,306,205	
Total	<u>\$ 7,949,650</u>	
Less, Accumulated Depreciation	<u>5,089,324</u>	

Property, Plant, and Equipment, Net of Depreciation		2,860,326
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OTHER ASSETS

Loan to Shareholder	\$ 63,755	
Payroll Tax Refund	967	
Prepaid Federal Income Tax	3,369	
Deposits	<u>1,005</u>	

Total Other Assets		<u>69,096</u>
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TOTAL ASSETS		<u><u>\$ 3,697,032</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Other Payables	\$ 775	
Loan from Shareholder	649,702	
Current Portion of Long-Term Debt	<u>154,530</u>	

Total Current Liabilities		\$ 805,007
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LONG-TERM LIABILITIES

Long-Term Debt, Net of Current Portion		<u>1,001,550</u>
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Total Liabilities		\$ 1,806,557
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STOCKHOLDERS' EQUITY

Common Stock, No Par Value - 5,000 Shares Authorized and 1,000 Shares Issued	\$ 11,000	
Paid-In Capital	14,487	
Retained Earnings	<u>1,864,988</u>	

Total Stockholders' Equity		<u>1,890,475</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u><u>\$ 3,697,032</u></u>
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The accompanying accountants' compilation report should be read with this financial statement.

CONCHO RURAL WATER CORPORATION
Statement of Revenues, Expenses, and Retained Earnings - Income Tax Basis
Year Ended December 31, 2013

REVENUES

Water Sales and Contracts, Net of Returns	\$ 1,722,199
Less, Cost of Sales	<u>354,503</u>
Gross Profit	\$ 1,367,696

EXPENSES

Accounting	\$ 10,010
Auto Expense	27,855
Advertising	1,543
Contract Labor	12,523
Depreciation	254,124
Dues and Subscriptions	2,251
Equipment Rental	362
Fees and Permits	2,686
Insurance	33,537
Legal and Professional	28,527
Miscellaneous	12,923
Office Expense	6,475
Oil and Gas	45,853
Postage	13,353
Rents	6,600
Repairs and Maintenance	76,923
Salaries	425,832
Supplies	6,765
Taxes	44,607
Telephone	9,543
Uniforms	4,986
Utilities	<u>11,574</u>
Total Operating Expenses	<u>1,038,852</u>
Net Income from Operations	\$ 328,844

OTHER REVENUES (EXPENSES)

Rent Income	\$ 6,600
Interest Income	1,083
Gain on Sale of Investment Property	66,150
Interest Expense	<u>(82,214)</u>
Total Other Revenues (Expenses)	<u>(8,381)</u>
Net Income Before Federal Income Taxes	\$ 320,463
Income Taxes	<u>99,831</u>
Net Income	\$ 220,632
Retained Earnings - Beginning	<u>1,644,356</u>
Retained Earnings - Ending	<u>\$ 1,864,988</u>

The accompanying accountants' compilation report should be read with this financial statement.

CONCHO RURAL WATER CORPORATION
SELECTED INFORMATION - Substantially All Disclosures Required
by the Income Tax Basis of Accounting Are Not Included
December 31, 2013

On the original financial statements dated March 13, 2014, water sales on the statement of revenues, expenses, and retained earnings - income tax basis were overstated by \$120,000 which resulted in a decrease in retained earnings on the statement of assets, liabilities, and stockholders' equity - income tax basis. Accordingly, the 2013 financial statements have been restated to correct the error.

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