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CLASS "B" WATER COMPANY PUC ANNUAL REPORT OF

Official Company Name:	20984 <u>20984</u>
MSEC ENTERPRISES INC	
D/B/A Name(s)	

TO THE PUBLIC UTILITY COMMISSION OF TEXAS

For the Year Ended ___ 2015

124

GENERAL INSTRUCTIONS-Class B Utilities Only

- 1. This annual report (earnings report) is required by 16 TAC §24.73 and is used to monitor utility earnings and compile annual financial information to monitor financial conditions of Texas investor owned utilities. Each utility shall submit its report of the Commission in the form and manner prescribed herein. The reported information should reflect the 12-month period ending December 31. The report shall be filed not later than June 1 of the following year. Only one report needs to be completed for each Certificate of Convenience and Necessity (CCN) Number regardless of the number of Public Water Systems and/or number of Sewer Systems affiliated with each CCN. However, if you have multiple water CCNs or multiple sewer CCNs, a separate report must be submitted for each CCN, along with a summary report for all Texas water and sewer operations for affiliated entities. The summary should be submitted along with all the affiliated reports.

 If the utility possesses a water and sewer CCN (not multiples), then the utility may combine the water and sewer operations into one report, although water and sewer operations must be separately reported within that report.
- 2. Four copies of this report shall be prepared by each utility. Three copies should be mailed or delivered to the Filing Clerk of Central Records at the Commission's offices in Austin, TX by June 1 of the year following the calendar year. The other copy should be retained by the utility for reference. Additionally, the utility shall file an unaltered electronic version (i.e. in native Microsoft Excel format) with all cell references, formulas, links and other electronic information intact) of the information contained in the required schedules and report along with the hard copies. All water and sewer utilities are required by statute to complete and file this annual report. Note, if a utility has a water and sewer CCN and provides both water and sewer service, the utility shall file one annual report which contains information for both the water and sewer utility service. Each sheet of the Excel file is pre-formatted to calculate certain items based on company specific inputs. Any supporting documents or workpapers filed in PDF format should be searchable. For specific instructions regarding the electronic filing of the report, please visit the Commission's website at: http://www.puc.state.tx.us/industry/filings/FilingProceed.aspx, and 16 TAC §22.72(g).
- 3. Pencil entries will not be permitted on hard copy.
- 4. All accounting terms and phrases used in this report are to be interpreted in accordance with the effective applicable NARUC Uniform System of Accounts prescribed by this Commission, as set forth in 16 TAC §24.72 with detailed sub accounts listed in the form. The Texas Water Code defines Class B utility as a public utility providing retail water or sewer utility service to at least 500 but less than 10,000 taps or connections. Class B utilities must use the NARUC system of accounts for NARUC Class B utilities.
- 5. Standard accounting procedures shall apply in determining the nature of any entry (e.g. entries of a reverse or contrary character shall be indicated by a parentheses around the number).
- 6. The report shall be filed consisting of data relative to a calendar year basis (December 31 year end. Revenues and expenses shall include a column for normalization adjustments to produce a normalized net income.
 All normalization adjustments must be explained with all assumptions defined and rational/best practices referenced.
- 7. If this report is made for a period less than the calendar year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where the period covered is shown. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes). Provide a full explanation.
- 8. All instructions shall be followed and each question shall be answered fully and accurately. Sufficient answers shall appear to show that no question or schedule has been overlooked. The expression "none" or "not applicable" shall be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. Where information called for herein is not given, state fully the reason for its ommission.

GENERAL INSTRUCTIONS

(Continued)

- 9. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year or an appropriate explanation given why different figures were used.
- 10. If an audit is performed on the books and records of the utility by a certified public accountant, please submit a copy with this form. If the utility is a member of a controlled group, both parent and subsidiary's annual report should be submitted.
- 11. Throughout this report money items will be rounded off to the nearest dollar.
- 12. In the space provided at the top of each page insert the name of the utility and the year to which this report relates.
- 13. On Schedule 3, column (c), the reporting entity is required to make adjustments to normalize income and expenses for the purpose of determining positive differences between the annual revenues and costs of each utility. Adjusting normalization entries should include adjustments to
 - (1) avoid double counting in affiliates or entities under common control,
 - (2) to record depreciation at the commission's approved rates, amortization at the amount approved in the utility's last rate proceeding in which deferred costs and the amortization of deferred costs are established,
 - (3) to remove any expenses not allowed by the Texas Water Code, or disallowed in previous dockets.
 - (4) other normalization adjustments must be accompanied by all best practice references and an explanation.
- 14. IF YOU ARE UNDER COMMON CONTROL with other water or sewer utilities operating in Texas, you must file a consolidated income statement and balance sheet including all entities under common control in Texas. These statements should be in addition to the attached schedules for the reporting utility.
- 15. Unless otherwise indicated, the information required in this report shall be taken from the reporting entity's financial statements, accounts and other records. Any deviation from records must be explained.

EXCERPT FROM TEXAS WATER CODE

CHAPTER 13.136(b)

(b) The utility commission by rule shall require each utility to annually file a service, financial, and normalized earnings report in a form and at times specified by utility commission rule. The report must include information sufficient to enable the utility commission to properly monitor utilities in this state. The utility commission shall make available to the public information in the report the utility does not file as confidential.

PUBLIC UTILITY COMMISSION OF TEXAS 1701 N. CONGRESS AVE., PO BOX 13326, AUSTIN, TX 78711-3326

Annual Report for Class B Water and/or Sewer Systems

Pursuant to TWC § 13.136 and Title 16 Texas Administrative Code (TAC) Chapter 24

I. UTILITY INFORMATION

A	Utility Name:	MSEC Enterprises	Inc		
R	List all assumed name(s) or d/b/a names: Street Address, City or Town & Zip code:	DO DOY 070	N		
,	County:	Grimes	Navasota, TX 77868	CONN	
	·	Offilles		CCN No.:	20984
C.	List All PWS System names and numbers:	Not Applicabl	e/		
D.	List All WQ Permited system names and nu	mbers:	WQ0014638001		
E.	Type of Ownership:				
	Corporation:	X Partnership:	Individual:	Other:	
F.	If a corporation list names of the officers. I	f an individual or par	tnership list the		
	name of the individual or each partner.	_		Troy Morris, Mike Mo	Dougald,
	Andrew Dallmeyer, Erin Hughes				
g.	If the controlling ownership of this utility ch	nanged during the las	t twelve (12) months,		
	state the date of ownership change and the r	name and address of	the prior owner.		
TT	Not Applicable				
п.	Date the utility was formed or incorporated:			1997	
I.	Is the utility commonly owned or controlled If yes, by whom? Mid-South Electric Coope	by another corporate rative; Parent/Subsiderative	ion? Y N lary		
	PERSON TO CONTACT REGA	RDING THE INFO	DRMATION SUPPLI	ED ON THESE FOR	MS
	Name and Title:		Sr Manager Water/Wa		
	Street Address, city, zip code	PO Box 970, N	Javasota, TX 77868		
C.	Telephone Number with Area Code:		936-825-5100		
	Cell Phone Number with Area Code:		936-870-5811		
	Fax Number with Area Code:		936-825-1653		
	e-mail address:		mlong@midsouthsyne	ergy.com	
D.	If not an officer, owner or employee, give na	me of firm employed	i by:		
	Mid-South Electric Cooperative				
E.	List all entities under common control or ow	nership with this uti	lity by entity name CC	'N No(s) Public Wate	*
	System (PWS) No(s). and name(s) of water	system(s) owned and	1 Water Quality (WO)	Discharge Permit No(s	i).
	and name(s) of wastewater systems owned,	and contact informat	ion.	80 1 0000	,,,.
	12887				
F.	List all affiliates of the utility by entity name	e(s), CCN No(s). if a	ny, PWS No. for each	system owned	
	and WQ Discharge Permit No. for each wast	ewater systems own	ed, inlouding contact ir	oformation.	
-	Not Applicable				
G.	If the utility owner owns multiple CCN's, ple	and list all CONT	1		
J.	in the admity owner owns muniple colvis, ple	ase list all CUN nun	iders owned:	12887	

2. BALANCE SHEETS

ASSETS UTILITY PLANT		End of Year <u>12/31/2015</u>	E	nd of Prior Year 12/31/2014
101 Utility Plant in Service	\$	34,451,791	Ts	20 224 475
103 Property held for Future Use	\$	34,431,791	\ <u>\$</u>	29,334,475
105 Construction Work In Progress	\$	4 000 755	+	2.540.506
114, 115 Net Utility Plant Acquisition Adjustment	_	4,028,755	_	3,549,786
TOTAL UTILITY PLANT	\$	20 400 546	\$_	
108 Less: Accumulated Depreciation	\$	38,480,546		32,884,261
110 Less: Accumulated Depreciation	\$	6,370,627	\$	5,417,696
	\$	-	\$	*
NET UTILITY PLANT	\$	32,109,919	\$	27,466,565
CURRENT ASSETS				
131-135 Cash	\$	395,898	\$	352,443
141-143 Accounts Receivable	\$	653,881	\$	1,358,552
144 Notes Receivable	\$		\$	-
144-145 Accounts Receivable-Affiliates/Common Ownership	\$	675,160	\$	592,904
151 Plant Materials and Supplies	S		\$	
162 Prepayments	\$		\$	
171-174 Other Current Assets	\$	217,000	\$	75,060
TOTAL CURRENT ASSETS	\$	1,941,939	\$	
	+	1,241,239	•	2,378,959
OTHER ASSETS and DEFERRED CHARGES			1	
181 Deferred Debt Expense			_	
182-186 Deferred Charges/Debits	\$	15,005	\$	-
190 Accum. Deferred Income Taxes	\$	17,287	\$	38,665
TOTAL OTHER ASSETS and DEFERRED CHARGES	\$		\$	-
TOTAL OTHER ASSETS and DEFERRED CHARGES	\$	17,287	\$	38,665
MOTAL AND				
TOTAL ASSETS	\$	34,069,145	\$	29,884,189
, ,				
, .				
		E 1 CV	_	1 45 1
LIABILITIES & EQUITY		End of Year	En	d of Prior Year
***		End of Year 12/31/2015	En	nd of Prior Year 12/31/2014
STOCKHOLDERS' EQUITY		12/31/2015		
STOCKHOLDERS' EQUITY 201 Common Stock	\$	12/31/2015 1,000	\$	
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital	\$	1,000 8,007,712		12/31/2014
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings	\$	1,000 8,007,712 1,928,429	\$	1,000
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital	\$	1,000 8,007,712	\$	1,000 8,007,712
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY	\$	1,000 8,007,712 1,928,429	\$ \$ \$	1,000 8,007,712 1,409,569
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT	\$	1,000 8,007,712 1,928,429	\$ \$ \$	1,000 8,007,712 1,409,569
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY	\$	1,000 8,007,712 1,928,429	\$ \$ \$	1,000 8,007,712 1,409,569 9,418,281
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT	\$ \$ \$	1,000 8,007,712 1,928,429 9,937,141	\$ \$ \$ \$	1,000 8,007,712 1,409,569
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT	\$ \$ \$	1,000 8,007,712 1,928,429 9,937,141	\$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES	\$ \$ \$	1,000 8,007,712 1,928,429 9,937,141 17,669,587	\$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion	\$ \$ \$	1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000	\$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt	\$ \$ \$ \$	1,000 8,007,712 1,928,429 9,937,141 17,669,587	\$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable	\$ \$ \$ \$ \$	1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250	\$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable	\$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220	\$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes	\$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest	\$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities	\$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest	\$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES	\$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS	\$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181 2,769,918
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits 255 Deferred Investment Tax Credits	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181 2,769,918
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits 255 Deferred Investment Tax Credits 271-272 Net Contributions in Aid of Construction	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438 - 1,751,549 - 45,750 55,181 2,769,918
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits 255 Deferred Investment Tax Credits 271-272 Net Contributions in Aid of Construction 281-283 Accumulated Deferred Inc. Taxes	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits 255 Deferred Investment Tax Credits 271-272 Net Contributions in Aid of Construction	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429 - 120,072 - 1,012,916	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438
STOCKHOLDERS' EQUITY 201 Common Stock 211 Other paid in capital 215 Retained Earnings TOTAL STOCKHOLDERS' EQUITY LONG-TERM DEBT 224 Long-term debt, excluding current portion CURRENT LIABILITIES Current Portion of Long-term Debt 231 Accounts Payable 232 Notes Payable 233, 234 Payables to Affiliates/Common Ownership 236 Accrued Taxes 237 Accrued Interest 241.0 Other Current Liabilities TOTAL CURRENT LIABILITIES OTHER LIABILITIES and DEFERRED CREDITS 252 Advances for Construction 253 Other Deferred Credits 255 Deferred Investment Tax Credits 271-272 Net Contributions in Aid of Construction 281-283 Accumulated Deferred Inc. Taxes	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2015 1,000 8,007,712 1,928,429 9,937,141 17,669,587 530,000 1,438,250 - 3,235,220 7,777 66,944 51,238 5,329,429 - 120,072	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	12/31/2014 1,000 8,007,712 1,409,569 9,418,281 16,828,135 287,000 630,438

3. STATEMENT OF REVENUES

(Actual Revenues for the report year)

	Prior Year	Current		Totals For
Water	Reported 2014	Reporting Year 2015	Earnings Report	Earnings Report
CUSTOMER CLASS	(A)	(B)	adjustments	Adjustments
Metered Sales:	(A)	(B)	(C)	(D=B+C)
5/8" or 3/4"	\$ -	S -	6	6
3/4"	- s -	\$ -	\$ - \$ -	\$ -
1"	\$ -	\$ -		\$ - \$ -
1 1/2"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
List all additional meter sizes:	T T	<u> </u>	-	-
	_			
				6
SUB-TOTAL	\$ -	\$ -	\$ -	\$ -
SOD-TOTAL	<u> </u>	<u> </u>	3 -	\$ -
Unmetered Sales:				
Cimetera Sales.	\$ -	[\$ -]	(a)	
		3 -	\$ -	\$ -
				<u>s</u> -
				\$ -
	+			\$ -
List and explain if any rates are set				\$ -
on a basis other than meter size.				\$ -
on a basis other than meter size.				<u>s</u> -
				\$ -
	\$ -	\$ -	-	\$ -
470.0 Late fees - Water	\$ -	\$ -		<u> </u>
471-474 Other Revenue	\$ -			\$ -
v. Sino Rovondo	<u> </u>	<u> </u>		\$ -
TOTAL WATER REVENUE	\$ -	\$ -	\$ -	\$ -
			To Statement of In	
			10 Statement of In	come
		Current		m . 1 m
	Prior Year		Francisco Descri	Totals For
Sewer	Reported yyyy	Reporting	Earnings Report	Earnings Report
CUSTOMER CLASS	(A)	Year yyyy	adjustments	Adjustments
Metered (measured) Sales (if any):	(A)	(B)	(C)	(D=B+C)
Metered (measured) Sales (II ally):				
				\$ -
				\$ -
				\$ -
CLID TOTAL				<u>\$</u> -
SUB-TOTAL	\$ -	\$ -	\$ -	\$ -
Ummataur 4 (Fig. 1994) College				
Unmetered (flat rate) Sales:	A. 22 (2)			
	\$ 35,484	\$ 36,960		\$ 36,960
		<u> </u>		\$ -
				\$ -
GLID MODAL				\$ -
SUB-TOTAL	\$ 35,484	\$ 36,960	\$ -	\$ 36,960
470.0 Late fees - Sewer				\$ -
536 Other Revenue				\$ -
TOTAL SEWER REVENUE	\$ 35,484	\$ 36,960	\$ -	\$ 36,960
TOTAL REVENUE	\$ 35,484	\$ 36,960	\$ -	\$ 36,960
			To Statement of Inc	ome

4. Statements of Income

	157				Adjusted for
	Water	Sewer Test Year	Total - Water	Earnings Report	Earnings
	Test Year 2015	2015	and Sewer	adjustments	Report
1 Total Barrery 1	(a)	(b)	(c)	(d)	(e)=(c)+(d)
1 Total Revenue: 1	\$ -	\$ 36,960			\$ 36,960
Onoroting E	XXXX	XXXX	XXXX	XXXX	XXXX
Operating Expenses: 2 601.1/701.1 O & M Salaried Labor	XXXX	XXXX	XXXX	XXXX	XXXX
	\$ -	\$ -	\$ -		
- Project Control	\$ -	\$ -	\$ -	· · · · · · · · · · · · · · · · · · ·	\$ -
, , , , , , , , , , , , , , , , , , , ,	\$ -	\$ -	\$ -		\$ -
5 620/720 Operating/Maint Supplies6 610/710 Purchased Water	\$ -	\$ 50,623	\$ 50,623		\$ 50,623
	\$ -	\$ -	\$ -		\$ -
7 615/715 Purchased Power	\$ -	\$ 6,879	\$ 6,879		\$ 6,879
8 635/735 Testing Expense 9 618/718 Chemicals	\$ -	\$ -	\$ -		\$ -
9 618/718 Chemicals 10 656-659/756-759 Insurance	\$ -	\$ 164	\$ 164		\$ 164
	\$ -	\$ -	\$ -		\$ -
of the form of the balance	\$ -	\$ -	\$ -		\$ -
12 650/750 Transportation 13 675 General Office Expenses	\$ -	\$ -	\$ -		\$ -
To the desired Empenses	\$ -	\$ -	\$		\$ -
14 632, 633, 634 Contract Acctg, legal, Mgnt	\$ -	\$ -	\$ -		\$ -
15 666 Amortization- Rate Case Expense	\$ -	\$ 438	\$ 438		\$ 438
16 403 Depreciation Expense	\$ -	\$ 8,312	\$ 8,312		\$ 8,312
17 667-675 Other Misc. Expenses	\$ -	\$ 7,169	\$ 7,169		\$ 7,169
Taxes:			XXXX	XXXX	XXXX
18 409 Federal Income Taxes	\$ -	\$ -	\$ -		\$ -
19 409 State Franchise Taxes/Reg Assess.	\$ -	\$ -	\$ -		\$ -
20 408 All Other Taxes	\$ -	\$ -	\$ -		
21 Total Expenses	-	\$ 73,585	\$ 73,585	\$ -	\$ 73,585
			XXXX	XXXX	XXXX
22 Net Operating Income	\$ -	\$ (36,625)	\$ (36,625)	\$ -	\$ (36,625)
			XXXX	XXXX	XXXX
23 421, 433 Non-Operating Income	\$ -	\$ -	\$ -		
24 Non-Operating Deductions:			XXXX	XXXX	XXXX
25 426 Other	\$ -	\$ -	\$ -		\$ -
26 427 Interest	-	\$ -	\$ -		\$ -
27 Net Income	\$ -	\$ (36,625)	\$ (36,625)	\$ -	\$ (36,625)
•					,/

^{1.} Carried over from Statements of Revenues

Name of Utility:	MSEC En	MSEC Enterprises Inc		Year End:	2015	
	5(a). Water Plant In Se	ervice - Chang	Service - Changes Since the Previous Annual Report	evious Annual 1	Report	
A	В	С	D	Ħ	Į.	G=D-E+F
Date Plant		Report Year			Plant	Total change
Installed/Retired	List Major Items by account	Beginning	Plant Additions	Plant Retirements	Adjustments	during report
mm/yyyy	number and Class	Balance	Amounts	Amounts	(plus or minus)	year
				- -	- €	\$0
				- •>>	- \$	80
				\$	-	\$0
				- \$9	· S	0\$
				· \$	-	\$0
				- \$	- -	80
				- S	-	0\$
				· •	-	80
				- -	-	80
				· ~	\$	80
				- - -	\$	0\$
				· •	\$	0\$
				-	-	0\$
				- 9	-	\$0
					-	80
				· •	-	0\$
				· •	-	0\$
				· S	€	80
				- S	-	\$0
				-	-	\$0
				· •	-	80
				-	-	\$0
				· •	-	\$0
				· •	-	80
				-	-	80
	1 1					
	TOTALS	80	80	80	80	80

PUC Water Annual Report Page 5(a)

Name of Utility:	MSEC En	MSEC Enterprises Inc		Year End:	2015	
	5(b). Sewer Plant In Se	rvice - Chang	es Since the Pro	n Service - Changes Since the Previous Annual Report	Report	
A	В	C	D	田	, T-1	G=D-E+F
Date Plant		Report Year			Plant	Total change
Installed/Retired	List Major Items by account	Beginning	Plant Additions	Plant Retirements	Adjustments	during report
mm/yyyy	number and Class	Balance	Amounts	Amounts	(plus or minus)	year
	334	\$ 13,719	-	- -	- -	80
	351	.,	€	- 	- -	0\$
	353	\$ 44,277	- -	- -	-	\$0
	354	\$ 10,106	€9	€9	-	\$
	357		\$	-	-	\$0
	360	\$ 2,191	- -	- \$	-	\$0
	361	\$ 40,612	-	- S	· ·	0\$
	363		-	-	-	0\$
	364	\$ 56,000	\$	-	- -	\$0
	365	\$ 13,700	- -	- -	·	\$
	372	\$ 1,250	\$	· \$	- -	\$0
	380	2	-	· ↔	·	\$0
	389	\$ 77,702	-	-	· •	\$0
						\$0
						\$0
						\$0
						\$0
						\$0
						\$0
						\$0
						\$0
						\$0
						80
						\$0
	7,000					\$0
	S 1 4 LOL	070 000	9			
	IOIALS	\$323,848	25	80	0\$	0\$

PUC Water Annual Report Page 5(b)

6(a). Capital Structure

Year Ended 12/31/2015

		Per Books	-	stments for ngs Report	 r Books Post Adjustment	Ratio
232.00 Short-Term Debt	_\$_		\$		\$ -	0.00%
224.0 Long-Term Debt	<u>\$</u>	17,669,587			\$ 17,669,587	64.00%
Common Equity:						
201.0 Common Stock	\$	1,000	\$		\$ 1,000	
218.0 Proprietary Capital					\$ 	
211.0 Misc. Paid-in-Capital	\$	8,007,712			\$ 8,007,712	
215.0 Retained Earnings	\$	1,928,428	\$	-	\$ 1,928,428	
216.0 Reacquired Stock	\$		\$		\$ -	
	\$		\$		\$ -	
Total Equity	\$	9,937,140	\$	-	\$ 9,937,140	36.00%
Total Capital	\$	27,606,727	\$		\$ 27,606,727	100.00%

Debt Detail

Туре	 Principal Amount	Cost Rates	Interest Expense
232.0 Short Term Debt:			
(Lender name A)	\$ -	0.00%	\$ _
(Lender name B)	\$ -	0.00%	\$ -
(Lender name C)	\$ -	0.00%	\$
Total Short-Term Debt	\$ -	0.00%	\$
224.0 Long-Term Debt:			
CoBank	\$ 17,669,587	0.00%	\$ 664,262
(Lender name E)	 	0.00%	\$ -
(Lender name F)	 	0.00%	\$ -
Total Long-Term Debt	\$ 17,669,587	3.76%	\$ 664,262

6(b). RATE BASE AND EARNINGS CALCULATION

RATE BASE SUMMARY

	Water	Sewer	Total	Reference
Description	(a)	(b)	(c)=(a)+(b)	(schedule)
1 Additions:	XXXX	XXXX	xxxx	
2 Utility plant		323848	323848	5(a) & 5(b)
3 Materials and supplies			0	2
4 Working cash (capital) (attach schedule)		395898	395898	
5 Prepayments			0.	2
6 Other (attach schedule or itemize)		609615	609615	
7 TOTAL ADDITIONS (Add Lines 2 through 6)		1329361	1329361	
8 Deductions:	XXXX	xxxx		
9 Reserve for depreciation (Accumulated)		6370627	6370627	2
10 Advances for construction			0	2
Contributions in aid of construction		· · · · · · · · · · · · · · · · · · ·	ō	2
12 Accumulated deferred income taxes		1012916	1012916	2
13 Accumulated deferred investment tax credits			0	2
Other (attach schedule or itemize)		120072	120072	2
15 TOTAL DEDUCTIONS (Add lines 9 through 14)		7503615	7503615	
16 RATE BASE (Line 7, less Line 15)		-6174254	-6174254	

EARNINGS CALCULATION

17 Return (Note 1)

(36,625)

18 Rate of Return (Line 17/Line 16)

0.59%

19 Earned Return on Ending Equity (Notes 2, 3)

-5.05%

Note 1: Schedule 4. Statements of Income, line 26 plus line 27.

Note 2: Based on reported capital structure in Schedule 6. Capital Structure_Earnings.

Note 3: Line 19 (above) will automatically calculate correctly only after Schedule 4. Statements of Income, Schedule 7. Rate of Return, and the above portions of this schedule (tab) have been completed.

MSEC Enterprises Inc

Year End:

2015

7. Rate of Return

Year Ended mm/dd/yyyy

	Balance	Capital Structure %	Cost Rates	Weighted Cost of Capital
	(a)	(b)	(c)	(c)=(a) x (b)
224.0 Long-Term Debt	17,669,587	64.00%	3.76%	2.41%
Common Equity*	664,262	36.00%	0.00%	0.00%
	Total	100.00%		2.41%

^{*}If the company currently has an authorized return on equity (ROE), enter that ROE in column (c) and provide the docket number in which that ROE was granted here ==>>> If the company does not currently have an authorized ROE, enter in column (c) the ROE Moody's BAA Bond rating plus 6 percentage points. Utilities may obtain the current Moody's BAA Bond rating by emailing the PUC at water@puc.state.tx.us (this will in virtually every circumstance be different from the ROE that is actually earned) and place an "X" here==>> X

Name	οf	Utility:	
INAME	w	L/ CHIELV.	

MSEC Enterprises Inc

Year End:

<u>2015</u>

8. Connection Count

METERED CUSTOMERS BY METER SIZE

Number of Customers

		1.00100101	Customers				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	1
Line	Meter	End of	Additions	End of	Meter	Meter	<u> </u>
	descriptio						
No.	n	Prior Year	or change	Report Year	Ratios	Equivalencies	
Water				(C+D)		(E x F)	Ì
1	5/8" x 3/4"						Ī
2	3/4"						
3	1"						
4	1 1/2"						
5	2"						
6	3"						
7	Unmetered						
8		0	0	0		0	Total Water
Sewer							
9		3	0	3		3	
10							
11							
12							
13		3	0	3		3	Total Sewer

9. VOLUMETRIC INFORMATION

<u> </u>	(Report in 1,000 gallons)	Report Year
	Description	2015
1.	Water Pumped	Not Applicable
2.	Purchased Water	Not Applicable
3.	Total Water Produced (1. + 2.)	Not Applicable
4.	Total Water Sold	Not Applicable
5	Water Lost (3 - 4)	Not Applicable

Name:	
-------	--

V	End.
y ear	End:

<u>2015</u>

10. Affiliated Transactions

Charges by an Affiliate to the Reporting Utility

Name of Affiliated company: Not Applicable

NARUC Account and/or type of service	Total Affiliated Company	Total Texas	Total for reporting entity
Account # Account name or type of service	(Dollars transacted)	(Dollars transacted)	(Dollars transacted)

Charges by an Reporting Utility to Affiliates

Name of Affiliated company: ____ Not Applicable

NARUC Account and/or type of service	Total Affiliated Company	Total Texas	Total for reporting entity
Account # Account name or type of service	(Dollars transacted)	(Dollars transacted)	(Dollars transacted)
	į		

*MSEC Enterprises Inc
(Company Name) VERIFICATION
OATH (To be made by the officer having control of the accounting of the respondent) State of
County of Grimes as:
Andrew Dallmeyer makes oath and says that he/she is Treasurer (Official title of affiant)
of MSEC Enterprises Inc. (Exact legal title or name of the respondent)
The signed officer has reviewed the report.
Based on the officer's knowledge, the report does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading. Notary Public, State of To Comm. Expires 04-15-2 statements were made, not misleading.
Based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report.
He/she swears that all other statements contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including
Subscribed and sworn to and before me, a NOTARY PUBLIC in and for the State and County above-named, this 315+ day of May
My commission expires (Signature of affiant) (Signature of affiant)
SUPPLEMENTAL OATH
State of (By the president or other chief officer of the respondent)
County ofas:
Kerry Kelton mak CED General Manager President of MSEC Enterprises Inc. (Orficial title of affiant)
(Exact legal title or name of the respondent) that he/she has carefully examined the foregoing report; that he/she swears that all statements of fact contained in the said report are true, and that the said report is a contained to and including December 31, 7015
Subscribed and sworn to before me, a Notary Public
mand for the State and County above-named, this 31st day of May My commission expires (Signature of affiant)
(Signature of officer authorized to administer oaths) ERIN HUGHES Notary Public, State of Texas

Comm. Expires 04-15-2020 Notary ID 126485374