

1 I am confident if the Board of Directors had a viable candidate for the Operator's
2 position we would look seriously at the candidate.

3 The Board of Directors has looked at purchasing equipment and hiring at least two
4 employees; but it not an economically feasible idea.

5 **V. REASONABLENESS OF NEW RATES**

6 **Q. DO YOU BELIEVE THIS RATE INCREASE IS FAIR TO ALL YOUR**
7 **MEMBERS?**

8 A. Yes. I have talked to several Members and they, like me, are not thrilled with
9 paying more for water, but they realize the cost of everything has gone up in the
10 past few years. And they know that to continue receiving water they have to support
11 the system.

12 **Q. HAS ANY MEMBER SPOKEN WITH YOU OR THE BOARD OF**
13 **DIRECTORS ABOUT BEING ADVERSLY AFFECTED BY THE RATE**
14 **INCREASE?**

15 A. No.

16 **Q. HAVE YOU CONSULTED AN OUTSIDE PARTY REGARDING THE**
17 **NSSWSC'S RATES?**

18 A. Yes. I met with James Smith of the Texas Rural Water Association (TRWA) in
19 November 2015 and asked him if TRWA had a rate calculator. He answered yes
20 and used the TRWA "Water Revenue Requirements and Rate Design" spreadsheet
21 to calculate the rates for NSSWSC. According to his spreadsheet and the lowest
22 rate tier NSSWSC charges its Members, the base rate should be \$88.57 per month.
23 NSSWSC's current base rate is \$82.00.

1 [NSSWSC OFFERS EXH. KG-3 – TRWA spreadsheet]

2 Q. HAS NSSWSC GIVEN ANY CONSIDERATION TO REDUCING THE
3 RATES?

4 A. Yes, a motion was made in the January 2016 meeting to evaluate of the rate increase
5 and its impact on the financials in six months.

6 [NSSWSC OFFERS EXH. KG-4 – NSSWSC Board minutes, Jan. 2016]

7 Q. DO YOU HAVE SET HOURS THAT YOU WORK FOR NSSWSC OR ARE
8 YOU ON CALL AT ANY TIME?

9 A. I have no set hours. I work on projects on my own schedule. I am on call to
10 Members, the Operator (Will Broyles), the Office Manager (Cindy Hibler,) and the
11 Board of Directors at any time.

12 VI. SERVICES AND EQUIPMENT PROVIDED FOR NSSWSC

13 Q. DO YOU USE ANY EQUIPMENT AND/OR SUPPLIES IN YOUR WORK?

14 A. Yes.

15 Q. WHAT EQUIPMENT AND/OR SUPPLIES DO YOU USE?

16 A. Computer, printer, calculator and paper and ink for printer.

17 Q. WHO OWNS THE EQUIPMENT?

18 A. I do.

19 Q. DO YOU PROVIDE THESE TOOLS AND/OR SUPPLIES; OR DOES
20 NSSWSC PROVIDE THEM FOR YOU?

21 A. I provide 98% of the supplies. I think NSSWSC has purchased 3 ink cartridges and
22 1 ream of paper in the last 6 years.

1 Q. DO YOU HAVE ANYONE WHO HELPS YOU IN YOUR WORK FOR
2 NSSWSC?

3 A. Yes

4 Q. WHO IS THAT?

5 A. Will Broyles provides information about the system. Cindy Hibler provides
6 administrative support. Board Members, especially Roger Whatley, provide insight
7 and experience.

8 **VII. CONCLUSION**

9 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

10 A. Yes.

EXH. KG-1

NORTH SAN SABA WATER SUPPLY CORPORATION

P.O. Box 598
San Saba, Texas 76877
325-372-5348

Date: July 17, 2015

Subject: Proposed Rate Increase

Dear Member,

In the time frame since our last water rates increase, over 5 years ago (December 2009), your North San Saba Water Supply Corporation (NSSWSC) Board has pursued a program of capital improvements for our water system in an effort to improve your water service reliability and quality, compliance with relevant State of Texas regulations, and overall value to our members. Approximately 35 miles of new 3 inch pipe has been laid to distribute water to members, replacing old, deteriorating and very often leaking pipes. In addition, about 8 miles of new 10 inch pipe has been laid along FM500. There has also been important facility improvements at both the Stingy Lane and FM500 stations with new pumps and automated control equipment installed, along with new water storage at both stations. Our Operator, who is normally repairing pipe leaks as soon as possible, has also replaced many older, worn, and leaky valves in the system. He has also moved meters to the nearest appropriate County Road and replaced worn out meters. Hopefully many of you as members have experienced a noticeable improvement in reliability and service as a result of these efforts and improvements.

These system improvements were financed thru a combination of loans and grants totaling about \$3million. The NSSWSC now services 3 loans totaling approximately \$6900 per month in loan payments. In addition, inflationary price increases on supplies and repairs, etc, to upkeep and maintain the water system are exacting a toll on our finances. In a recent accounting of our financial outlook, expenses are currently exceeding revenues by a significant margin and we have no choice but to consider a rate increase.

One additional side-note: the State of Texas is still experiencing effects of the recent drought and consequently there are very good general reasons to conserve water everywhere. A feature of the proposed new rate plan is to encourage voluntary water conservation by members.

Proposed Rate Increases:

Increase residential base rate by \$12.00 to \$82/mo. (\$0.40 per day increase).
0 to 4,000 gallons - No Change, \$2.70 per thousand gallons
4,001 to 8,000 gallons - increase from \$3.38 to \$5.07 per thousand gallons
8,001 to 20,000 gallons - increase from \$4.05 to \$7.09 per thousand gallons
20,001 plus gallons - increase from \$4.73 to \$9.46 per thousand gallons

EXH. KG-1

The commercial base rate will increase from \$200 to \$400.

Here are some example water bills calculated under the new rates for various monthly metered residential water consumptions:

Metered Water	Base Rate	0-4000 gal	4001-8000gal	8001-20,000gal	20,000 plus gal	State Tax	Monthly Bill
2,000gal	\$82	\$5.40				\$.44	\$87.84
6,000gal	\$82	\$10.80	\$10.14			\$.51	\$103.46
10,000gal	\$82	\$10.80	\$20.28	\$14.18		\$.64	\$127.90
22,000gal	\$82	\$10.80	\$20.28	\$85.08	\$18.92	\$.85	\$218.17
40,000gal	\$82	\$10.80	\$20.28	\$85.08	\$189.20	\$1.94	\$389.30

The Board plans to approve a new rate plan at the next regular public meeting, August 11, 2015, Tuesday, beginning at 5:30pm in the Arrowhead Bank Conference Room. In the meantime we solicit comment and feedback from members regarding the above proposed new rates and, as always, members are welcome to attend the meeting and to speak to the Board.

Sincerely,
The Board of Directors,

Kathy Gage, President

Kim Sprouse, Vice President

Brad Everett, Secretary-Treasurer

Jim Brozo

Diane Wood

Mike Moorehead

Roger Whatley

EXH. KG-2



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FEASIBILITY STUDY

TO:	North San Saba WSC Board of Directors
FROM:	Allen Phillips, P.E., Jacob and Martin, LLC.
SUBJECT:	North San Saba Water Supply Corporation Feasibility Study
DATE:	June 25, 2015

INTRODUCTION

In May of 2015 Jacob and Martin, LLC. was contracted to perform a feasibility study for the North San Saba Water Supply Corporation. The study is intended to provide information on certain system elements which have been highlighted as problem areas by the Corporation as well as provide information on general system requirements and potential solutions and cost for these specific areas of concern. The items include the following:

- 1) Pump Hydraulics at the new Stingy Lane Pump Station.
- 2) Pump Capacity at the old Stingy Lane Pump Station.
- 3) Pump Capacity at the FM 500 Pump Station.
- 4) Disinfection needs and procedures at the Stingy Lane Pump Station.
- 5) Examine and discuss Elevated Storage Requirements.

During preliminary discussions with the corporation it was decided that the WSC desired to keep this study at a feasibility level. No computer based hydraulic modeling or detailed system analysis was desired for this study.

GENERAL

The North San Saba Water Supply Corporation (WSC) is a rural water supply which serves 297 customers in San Saba County north of the City of San Saba. The system is split into two pressure planes and serves approximately 127 customers in pressure plane one and 170 customers in pressure plane two. North San Saba WSC is a groundwater system and is supplied by both WSC wells and purchased groundwater from the City of San Saba. The system has two wells which feed pressure plane one only. Pressure plane two is supplied by purchased groundwater through an interconnect with the City of San Saba. Recently, the WSC has constructed a pump station to transfer purchased water from the City of San Saba in pressure plane two and blend it with well water in pressure plane one in order to reduce radium levels in the well water. A system map is included as attachment A in this study.

EXH. KG-2

General system requirements for the North San Saba WSC are set forth by the Texas Commission on Environmental Quality (TCEQ) in Chapter 290 of the Texas Administrative Code. Specifically, the guidance which outlines these requirements is located in Subchapter D Rule, 290.45, "Minimum Water System Capacity Requirements." A table has been included below which outlines the applicable requirements for this study. Section 290.45 of the rules have also been included in the attachments.

Table 1 – Summary of General System Requirements

SYSTEM COMPONENT	REQUIREMENT
Well Capacity	0.6 gpm/connection
Interconnection Supply Capacity (San Saba)	0.6 gpm/connection
Total storage capacity	200 gallons/connection
Pumping capacity	2 gpm/connection*
Elevated storage capacity	100 gallons per connection
Elevated storage capacity (if pressure tank)	20 gallons per connection

** Pumping Capacity may be reduced to 0.6 gpm/ connection if 200 gallons per connection of elevated storage is provided*

Typically, these requirements are examined individually for each pressure plane. However, in this case the actual well capacity and purchased water interconnect capacity can be examined system wide. The system has 250 gpm of purchased supply from San Saba and approximately 57 gpm of well supply. Based on a total connection count of 297, the entire system requires 179 gpm of supply capacity. This can be met with the purchased water alone. However, NSSWSC does not have well capacity to operate pressure plane one with only well water. The 57 gpm well capacity is not sufficient to satisfy the TCEQ required capacity of 76 gpm in pressure plane one.

Table 2 – NSSWSC System Requirements by Pressure Plane

Pressure Plane #1		
	REQUIRED	PROVIDED
Meters		127
Transfer Capacity (New Stingy Lane Pump Station)	76.2 gpm	150 gpm
Total storage capacity	25,400	44,000
Pumping capacity*	254	160
Elevated storage capacity	12,700	--
Elevated storage capacity (if pressure tank)	2,540	4,000
Pressure Plane #2		
	REQUIRED	PROVIDED
Meters		170
Total storage capacity	34,000	50,000
Pumping capacity*	340	260
Elevated storage capacity*	17,000	7,600
Elevated storage capacity (if pressure tank)	---	---

*Minimum Not Met with Equipment Provided

EXH. KG-2

NEW STINGY LANE PUMP STATION

The new Stingy Lane Pump Station was constructed in 2013 and consists of 24,000 gallons of ground storage with two 150 gpm pumps. This pump station was installed in order to pump purchased water through a dedicated 10 inch line to the FM 500 pump station in pressure plane one in order to blend well and purchased water at the FM 500 pump station.

Pumps

The pumps which are currently installed at the New Stingy Lane Pump Station are 25 HP pumps, sized at 150 gpm and 250 feet of Total Dynamic Head. These pumps are PACO Vertical, In Line pumps. According to NSSWSC personnel, these pumps have been turned off and the station has been out of service due to excessive cavitation occurring when the pumps are operating. It is suspected that these pumps are operating significantly outside of their design point.

Due to the fact that the New Stingy Lane Pump Station is a transfer station and pumps only to another ground storage tank, computer hydraulic models are not required to verify the design point for the pump. Therefore, calculations were rerun on this pump and a 150 gpm pump was found to require only 165 feet of Total Dynamic Head thus confirming that the pumps were operating at the far end of the curve. The pump curve with the original design point and actual operating point is included.

In order to remedy this situation the pump must either be replaced or the current configuration modified in some way to force the pump to operate back at the original design point. Several solutions exist for this problem and are outlined below.

- A) Replace Pumps- The current 25 HP pumps could be replaced with a smaller pump which would operate at the lower head range. Based on a search of PACO pump curves as well as conversations with vendors, a 10 HP Vertical In Line pump could be used. Lowering the horsepower could save the WSC energy cost, however the capital cost to replace the pumps would be between \$20,000 and \$30,000.
- B) Change Current Pump Impeller-This option includes using the existing pumps but having a pump contractor change the impellers which would allow the pump to reduce its operating point and power requirement. The current pumps have an 8.30 inch impeller. If a 7.50 inch impeller was installed as shown on the pump curve in the attachments the pump could run much closer to the center of the curve or Best Operating Point. Due to the horse power reduction this would reduce electricity cost and be a more cost effective option. This project is expected to run between \$5,000 and \$8,000.
- C) Install an Orifice Plate- This option consist of leaving the existing pump as is and utilizing an orifice plate on the discharge side of the pump to create a false head in order to push the operating point back to its original design. The orifice plate would consist of a plate which would fit between two flanges with a small hole in this center. The constriction created by the hole would cause an increase in head and thus create the operating point desired. While the least expensive option, this option does not save the district any energy cost due to the fact that the pump will operate at the original 25 HP. The plate would also have to be changed periodically due to wear. Cost for this option could run between \$500 and \$1,000.

EXH. KG-2

It is recommended that with either solution B or C that the pump vendor be retained to examine and service the existing pumps. The cavitation could have caused damage to the pump seals, rings, and shaft which would need to be addressed. This item is not included within the cost above.

Valves

Cla-Val 81-02 Check Valves were used downstream of the pumps in order to prevent backflow through the pumps. Unfortunately, these valves appear to be not operating as intended and allowing water to flow back through the pumps. The valves are operated on a pressure differential with the higher head on the pump side opening the valve and then when the pump turns off, the higher head downstream of the valve closes the valve. In a site visit, NSSWSC personnel discussed that Flowtech, a valve service company had been called to the site to examine the valves. According to Ryan Agnew, Flowtech representative, the valves have a bronze seat. This bronze seat has been known to deteriorate very quickly, sometimes within a year of service. Due to the extremely high flow rates at the New Stingy Lane pump station due to the operating point issue, it is thought that this seat has worn, creating areas for water to penetrate the seat and force the valve open when it is supposed to be closed.

The solution to this problem is to repair the valves by replacing the worn bronze seats with new stainless steel seats. Other components such as the diaphragms and discs in the valves would also be replaced due to the wear from the seat damage. A Cla-Val Technical Sheet which shows a disassembled view of the valve is included in the attachments. A quote was submitted by Flowtech to repair both valves at the New Stingy Lane Pump Station as well as the FM 500 pump station which is also experiencing the same problem with its valves. The quote is included in the attachments and is \$4,292.00.

OLD STINGY LANE PUMP STATION

The Old Stingy Lane Pump Station was constructed in 1991 and consists of a 50,000 gallon ground storage tank as well as two 130 gpm pumps. This pump station serves the 170 customers in pressure plane number 2 and pumps to distribution as well as filling the Shaw Bend Standpipe. As shown in Table two, based on the required 2 gpm per connection of pumping capacity the pump station only has 260 gpm of combined capacity and should have 340 gpm of capacity. These pumps need to be upsized in order to meet the minimum system requirements. In order to size the head requirements for this pump more extensive hydraulic modeling must be done due to the downstream configuration of the distribution system. Therefore, it is recommended that further design be conducted in order to find the proper replacement pump for this site. It is estimated that the cost for the construction alone for this project would be approximately \$30,000 to \$40,000. This does not include engineering for the pump replacement.

FM 500 PUMP STATION

The New FM 500 Pump Station was constructed in 2013 and consists of a 20,000 gallon ground storage tank as well as two 86 gpm pumps, and a 4,000 gallon pressure tank. This pump station serves the 127 customers in pressure plane number one and pumps to distribution. As shown in Table two, based on the required 2 gpm per connection of pumping capacity the pump station only has 160 gpm of combined capacity and should have 254 gpm of capacity. These pumps need to be upsized in order to meet the minimum system requirements. The current 10 HP pump may have to be upsized to a 15 HP pump which

EXH. KG-2

would increase operating cost slightly. It is estimated that the construction cost for this project would be approximately \$20,000 to \$30,000. This does not include engineering for the pump replacement.

DISENFECTION NEEDS AND PROCEDURES AT THE STINGY LANE PUMP STATIONS

During a preliminary site visit the NSSWSC personnel expressed that the system was experiencing low disinfection residuals in the outermost parts of pressure plane number two. Currently, the system is allowing the residual sent from the City of San Saba to carry throughout the system without additional boosting.

In order to provide a slight boost to the chlorine residual a liquid bleach system could be installed at the Old Stingy Lane Pump Station. The advantage to utilizing liquid bleach instead of chlorine gas include safety for operators as well as less regulatory requirements. In order to add a liquid bleach system at the pump station a 75 gallon drum of chemical as well as a spill containment pallet would have to be positioned inside the pump station. A small metering pump and calibration cylinder would be mounted near the bottom of the tank. An injection point would have to be installed preferably on the incoming fill line to the ground storage tank. This would allow the chemical to adequately mix prior to being sent into distribution. The construction of this system is expected to run between \$2,000 to \$4,000.

ELEVATED STORAGE REQUIREMENTS

The TCEQ rules require each pressure plane to have a minimum of 100 gallons of elevated storage per pressure plane. The rules allow for this requirement to be met by a pressure tank which provides up to 20 gallons of storage for each connection. Based on Table 2, the 4,000 gallon pressure tank in pressure plane number one is more than adequate for the current 127 customers.

Pressure plane number two only has 7,600 gallons of elevated storage, which comes from the 76,000 gallon Shaw Bend Standpipe. The reason for this is that the elevated storage volume in a pressure plane is calculated 80 feet (35 psi) above the highest meter in that pressure plane. Based on information from NSSWSC personnel as well as examination of google aerial photography, there is a customer located directly adjacent to the standpipe at roughly the same ground elevation. The Shaw Bend Standpipe is 88.5 feet to the overflow which only allows for 8.5' of elevated volume 80 feet above the highest meter. The approximate elevation of the standpipe and this residence is 1360.

According to NSSWSC personnel the highest meters in pressure plane 2 are located along CR 124 east of the standpipe on a single 3 inch line. If these meters were removed the highest meter in pressure plane two would be at elevation 1310. If this were the highest meter on the system the Shaw Bend Standpipe would have approximately 49,489 amount of elevated storage. See Table 3 below.

Table 3 – Pressure Plane 2 Elevated Storage with Highest Meter at 1310

		Volume Provided
Ground Elevation at Standpipe	1360	
Highest Meter Elevation	1310	
80' above highest Meter Elevation	1390	
Top of Standpipe	1448.5	
Distance Eligible as Elevated Storage	58.5	49,489 gallons

EXH. KG-2

This would be more than enough elevated storage volume for the requirements of pressure plane 2. The volume provided at 49,489 gallons would be approximately 291 gallons per meter which would allow the pumps at the Old Stingy Lane Pump Station to have a 0.6 gpm per connection requirement. If the highest meter at 1360 could be removed these pumps would comply based on the 200 gallons per connection of elevated storage.

One way to accomplish this would be to provide a separate pressure plane number three for the 22 meters along the three inch line along CR 124 east of the standpipe. A pressurization system consisting of a pressure tank and pumping system sized to accommodate these meters could be added in the yard of the standpipe. Construction cost for this project are expected to be between \$25,000 and \$35,000.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, while, the NSSWSC is out of compliance in several areas there are options to bring the system into compliance. It is recommended to follow through with the Flowtech valve repair and stainless steel seat installation as soon as possible. It is also recommended to pursue the option of impeller replacement for the Stingy Lane pump station.

Other than, the impeller and valve modifications it is recommended that all projects be engineered and submitted to TCEQ for approval prior to installation. We would be happy to assist the Corporation with these projects. We appreciate the opportunity to work with the North San Saba WSC in the generation of this feasibility report.

Respectfully Submitted,

James A. Phillips, P.E.

Jacob and Martin, LLC.

ATTACHMENTS

- A) SYSTEM MAP
- B) 30 TAC 290.45 GENERAL CAPACITY REQUIREMENTS FOR WATER SYSTEMS
- C) NEW STINGY LANE PUMP CURVE
- D) FLOWTECH QUOTE
- E) CLA-VAL TECHNICAL SHEET

EXH. KG-3

WATER REVENUE REQUIREMENT & RATE DESIGN

UTILITY

REVENUE REQUIREMENT
BUDGET/COST OF SERVICE ITEM

	Item Cost	%	Fixed	%	Variable
SALARIES	18,590		80	13,272	20 3,318
CONTRACT LABOR	88,000		80	52,800	20 13,200
CHEMICALS AND TREATMENT	0		90	0	40 0
UTILITIES	28,098		50	14,548	50 14,548
REPAIRS AND MAINTENANCE	38,051		50	15,026	50 15,026
OFFICE EXPENSES	10,280		20	2,052	80 8,228
ACCOUNTING & LEGAL	4,880		50	2,340	50 2,340
HEALTH INSURANCE	0		60	0	50 0
OFFICE SUPPLIES	0		45	0	55 0
TANK REPAIRS	0		50	0	50 0
BAD DEBT	0		50	0	50 0
PAYROLL TAXES	0		50	0	50 0
TELEPHONE	0		40	0	60 0
TRUCK & EQUIP. EXPENSE	0		100	0	0 0
TRAVEL & ENTERTAINMENT	0		50	0	50 0
EQUIPMENT RENTAL	0		50	0	50 0
INSURANCE - WC & LIABILITY	5,914		70	4,140	30 1,774
LICENSE & DUES	5,467		50	2,734	50 2,734
POSTAGE & FREIGHT	2,318		50	1,158	50 1,158
ADVERTISING	0		30	0	70 0
SAMPLING	0		50	0	50 0
EDUCATION	0		50	0	50 0
DEPRECIATION	10,484		60	6,290	40 4,194
MATERIALS & SUPPLIES	0		50	0	50 0
SECURITY	0		50	0	50 0
MISCELLANEOUS	534		50	267	50 267
LONG TERM DEBT	10,332		100	10,332	0 0
WATER PURCHASED	61,475		100	61,475	0 0
SYSTEM DEPRECIATION	128,504		70	89,953	30 38,551
TOTAL FINE	7,020		50	3,510	50 3,510
	0		50	0	50 0
	0		50	0	50 0
SUB-TOTAL (LESS FIT & RETURN)	388,723			279,896	100 108,827
% OF TOTAL (FIXED + VARIABLE)			83		37
PRINC. & INTEREST - WATER	0			0.00	0.00
MAINTENANCE RESERVE*	0			0.00	0.00
LESS OTHER REVENUE	30			0.00	0.00
TOTAL	\$388,723			\$279,896	\$108,827

0000061

EXH. KG-3

RATE CALCULATION

GALLONAGE CHARGE

Variable Cost/Test Year Gallons/1,000 =====>

4.02 /TH.GAL.

USE ->

PROPOSED RATE
\$2.70 /TH.GAL.

MINIMUM BILL

Fixed Cost/12/Customer Equivalents =====>

78.53 /MO.

YIELDS ->

\$88.57 /MO.

78.53 /MO. incl. min. gallons

88.57 /MO.
inc. min. gall

Avg Test-Yr Customer Equivalents = 297
Gallons Included In Minimum Bill = 0
Test Year Gallons Billed (x 1,000) = 27,057

REVENUES GENERATED

Connection Size	# of Connections	Minimum Bill		Rev /Month	Rev /Year
		Min. Bill	Including Gals		
5/8", 3/4"	297	\$88.57	\$88.57	\$26,306	\$315,888
3/4"	0	\$132.88	\$ 132.88	\$0	\$0
1"	0	\$ 221.43	\$ 221.43	\$0	\$0
1-1/2"	0	\$ 442.86	\$ 442.86	\$0	\$0
2"	0	\$ 708.57	\$ 708.57	\$0	\$0
2-1/2"	0	\$ 708.57	\$ 708.57	\$0	\$0
3"	0	\$ 885.72	\$ 885.72	\$0	\$0
4"	0	\$ 2,214.29	\$ 2,214.29	\$0	\$0
6"	0	\$ 4,428.58	\$ 4,428.58	\$0	\$0

GALLONAGE CHARGES=> TOTAL MINIMUM CHARGES=> \$315,888
27,057 @ \$2.70 /1,000 GAL 73,054
TOTAL REVENUE GENERATED=> \$388,723

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NOTES.

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EXH. KG-4

**North San Saba Water Supply Corporation
Directors Meeting
January 12, 2016
5:30 p.m.
Arrowhead Bank Board Room**

The Board of Directors of the North San Saba Water Supply Corporation met in a Director's Meeting, Tuesday, December 8, 2015 at the Arrowhead Bank Board Room.

Director's Present:

Kathy gage
Kim Sprouse
Brad Everett
Roger Whatley
Jim Brozo
Dianne Wood

Meeting called to order by Kathy Gage at 5:30 p.m.

Kim Sprouse read the Minutes from the last meeting. Motion was made by Roger Whatley to approve, seconded by Kim Sprouse. Motion passed.

Kathy Gage read the Treasurer's Report. Motion was made by Kim Sprouse to approve, seconded by Diane Wood. Motion passed.

Roger Whatley commented that Evaluation of the rate increase required no action at this time. He suggested reviewing in 6 months. The impact of the rate increase with financials there is not enough money for expenses so there was a rate increase. It is hard to know how the demand will be affected. Motion was made by Roger Whatley to review and evaluate at the end of June and compare 2015 to 2014. Trudy Gage said that the water system must be kept in tack. Milton Gage said that he agreed it would be a good idea to wait 6 months to re-evaluate. Jim Brozo seconded the motion. Motion passed.

Jim Brozo made the comment that at the age of 65 taxes were frozen. We may want to consider freezing the rate at age 65. Roger Whatley commented that nothing could be done about that tonight. He also stated that for the benefit of those that were not here for the rate increase- we did consider the impact it would have on some of our members. There are Texas State Agency programs for those having trouble paying their utility bills.

Motion was made by Kim Sprouse to approve and pay the bills, seconded by Diane Wood. Motion passed.

Roger Whatley addressed some of the concerns raised about NSSWSC expenses. Right now we pay \$400.00 per month for rent. A total of \$4800.00 per year. Office space at Arrowhead Bank would be \$3000.00 per year but then we would have to buy a printer, copier, desk, chairs,

EXH. KG-4

file cabinets, a full time employee at \$21,000.00 per year, benefits at \$3000.00 per year. Net proposal – savings -\$8864.00 – estimate. Barbara Horn stated that we buy our own equipment we wouldn't have to pay rent for them. Bill Hardy stated a 3 year lease.

Kathy Gage mentioned the NSSWSC indebtedness. Roger Whatley stated Will Broyles compensation not CPA – 2 engineer Degrees, Master Business Degree from U.T. Licensed Operator. It was mentioned that Richland Springs pays \$50,000.00 per year for their operator. Bill Hardy was asked if that was right and he replied yes. Will's expenses are \$40 - \$46, 000. Will's contractor business now takes home about \$45,000.00 - less than the Richland Springs operator. If we change Will to an employee it would be an \$8,000 - \$18,000 per year increase on our expenses.

Trudy Gage mentioned with the old operator, members were out of water a lot of times for hours and hours.

Roger Whatley stated 80% more water than billing, today approx. 20%. 97,000 – not billing, fines \$30,000 TCEQ. \$92,000 – 2010 - \$ CPI – Consumer Price Index today's dollar 18.7% inflation so \$92,000 from 2010 is \$109,250 now.

Trudy Gage stated that we can't keep good help if we don't pay them.. Roger stated doesn't feel unqualified to do this. Milton Gage stated the Board was doing an excellent job tackling/ solving problems. He felt that the rate increase would not bankrupt anyone. He also felt the operator was doing an excellent job. Would hate to see Will leave his job. Trudy Gage stated the Will can't work for nothing.

Barbara Horn asked about work ethic or quality.

Linda Kelly answered lots of questions.

Bob Hardy asked about the water smelling.

Linda Kelly suggested that anyone could get a water filtration system that takes out Radium – cost \$1500 - \$2000.

Roger Whatley mentioned 3 problems

1. Cavitation – pumps wearing themselves out
2. New pumps – Engineered – 2 options – one is more expensive than the other
3. Shaw Bend elevated storage – TCEQ

Restrictor plate – fabricated, bored holes 1.15" hole - bolt \$60.00 for \$340.00 cost of other plate.

Motion was made by Roger Whatley to adjourn, seconded by Diane Wood.

Meeting adjourned at 6:51 p.m.

STATE OF TEXAS

COUNTY OF SAN SABA

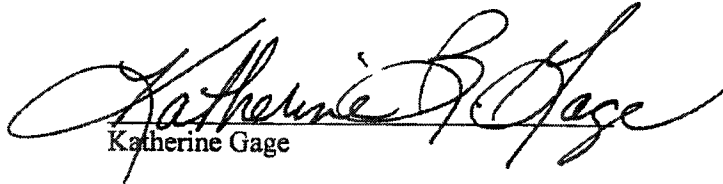
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AFFIDAVIT OF KATHERINE GAGE

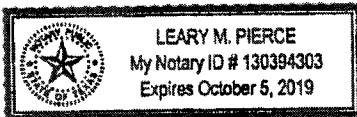
BEFORE ME, the undersigned authority, on this day personally appeared Katherine Gage, who, having been placed under oath by me, did depose as follows:

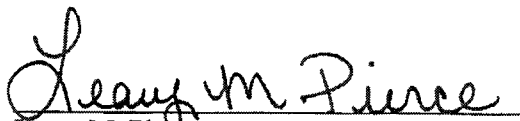
1. "My name is Katherine Gage. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. The foregoing direct testimony and the attached exhibits have been prepared by me, under my direct supervision, or are co-sponsored by me and are true and correct to the best of my knowledge."

Further affiant sayeth not.


Katherine Gage

SUBSCRIBED AND SWORN TO BEFORE ME by the said Katherine Gage this 30th day of March 2016.




Leary M. Pierce
Notary Public, State of Texas
My Commission Expires: October 05, 2019

**North San Saba Water Supply Corporation
P. O. Box 598
San Saba, Texas 76877
325-372-5348**

STAFF RFI
NO. 1-4

State the revenue requirement for the test year (2014) to set the rates subject to this appeal.

Reply: \$355,347



Kathy Gage
President
North San Saba Water Supply Corporation

NSSWSC 000003

0000066

NORTH SAN SABA WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

KEVIN SHAHAN, CPA
1102 W. WALLACE
SAN SABA, TEXAS 76877
(325) 372-4613

NSSWSC 000004

0000067

**NORTH SAN SABA WATER SUPPLY CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North San Saba Water Supply Corporation
San Saba, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of North San Saba Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North San Saba Water Supply Corporation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of North San Saba Water Supply Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North San Saba Water Supply Corporation's internal control over financial reporting and compliance.



San Saba, Texas
August 31, 2015

NORTH SAN SABA WATER SUPPLY CORPORATION*Statement of Financial Position**December 31, 2014***ASSETS**Current Assets

Cash (Note 2)	\$ 220,677
Accounts receivable - trade, net of allowance for doubtful accounts of \$3,099	27,893
Accounts receivable - Texas Water Development Board (TWDB) (Note 3)	222,881
Total Current Assets	471,451

Property and Equipment

Land	6,637
Buildings	1,021
Distribution system	3,651,373
Stand pipes	427,319
Wells and pumps	548,605
Equipment	53,421
Total Property and Equipment	4,688,376
Less accumulated depreciation	(1,214,353)
Total Property and Equipment, net (Note 3)	3,474,023

TOTAL ASSETS\$ 3,945,474**LIABILITIES**Current Liabilities

Accounts payable	\$ 17,176
Payroll tax payable	351
Short-term TCEQ payable	5,265
Construction project payable	356,884
Current portion of long-term debt (Note 4)	56,409
Total Current Liabilities	436,085

Long-term Debt

Note payable, net of current portion (Note 4)	831,335
---	---------

TOTAL LIABILITIES1,267,420**MEMBERS' EQUITY (Note 9)**107,350**NET ASSETS**

Unrestricted	2,490,278
Temporarily Restricted (Note 10)	80,426
Permanently Restricted	-

TOTAL NET ASSETS2,570,704**TOTAL LIABILITIES, MEMBERS' EQUITY AND NET ASSETS**\$ 3,945,474*The accompanying notes are an integral part of the financial statements.*

NORTH SAN SABA WATER SUPPLY CORPORATION*Statement of Activities**For the Year Ended December 31, 2014*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Water sales	\$ 348,040	\$	\$	\$ 348,040
TWDB Loan Forgiveness Income (Note 3)		2,134,813		2,134,813
Other income	7,760			7,760
Interest income	32	8		40
TOTAL SUPPORT AND REVENUES	<u>355,832</u>	<u>2,134,821</u>	<u>-</u>	<u>2,490,653</u>
EXPENSES				
Cost of water sold (Note 5)	219,074			219,074
Operating expenses (Note 6)	152,296			152,296
Interest expense (Note 4)	44,826			44,826
TOTAL EXPENSES	<u>416,196</u>	<u>-</u>	<u>-</u>	<u>416,196</u>
TRANSFERS				
Transfers in		(2,145,271)		(2,145,271)
Transfers out	2,145,271			2,145,271
TOTAL TRANSFERS	<u>2,145,271</u>	<u>(2,145,271)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	2,084,907	(10,450)	-	2,074,457
NET ASSETS AT BEGINNING OF YEAR	<u>512,721</u>	<u>90,876</u>	<u>-</u>	<u>603,597</u>
NET ASSETS AT END OF YEAR	<u>\$2,597,628</u>	<u>\$ 80,426</u>	<u>\$ -</u>	<u>\$2,678,054</u>

The accompanying notes are an integral part of the financial statements.

NORTH SAN SABA WATER SUPPLY CORPORATION*Statement of Cash Flows**For the Year Ended December 31, 2014***CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (decrease) in net assets	\$ 2,074,457
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	138,988
(Increase) decrease in operating assets	
Accounts receivable	68,545
Increase (decrease) in operating liabilities	
Accounts payable	356,323

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES 2,638,313**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(2,660,495)</u>
--------------------------	--------------------

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES (2,660,495)**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Notes Payable	<u>(54,415)</u>
---------------------------	-----------------

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES (54,415)**NET INCREASE (DECREASE) IN CASH** (76,597)**CASH AT BEGINNING OF YEAR** 297,274**CASH AT END OF YEAR** \$ 220,677**Supplemental information**

Interest expense paid	\$ 44,826
Income tax paid	-

The accompanying notes are an integral part of the financial statements.

NORTH SAN SABA WATER SUPPLY CORPORATION

Notes to Financial Statements

For the year ended December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Organization are as follows:

Organization and Tax Exempt Status

The Organization is a not-for-profit corporation organized under Article 1434a of the Revised Civil Statutes of Texas and is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code. The Organization, originally formed in 1970, completed the drilling of a water well in 1971 into the Hickory Aquifer, which now furnishes the water supply to the rural area north of the City of San Saba, Texas.

Method of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The accrual basis of accounting is where revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to generally accepted accounting principles.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The Organization reports total assets, liabilities, and net assets in a statement of financial position; reports the change in net assets in a statement of activities; and reports the sources and uses of cash and cash equivalents in a statement of cash flows. The Organization also reports net assets and revenues, gains, expenses, and losses as unrestricted, temporarily restricted, or permanently restricted, based on the existence of or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed and/or loan agreement restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as a reclassification between the applicable classes of net assets.

Estimates

The preparation of the 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.

NORTH SAN SABA WATER SUPPLY CORPORATION*Notes to Financial Statements**For the year ended December 31, 2014***NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Fixed Assets**

Fixed assets are capitalized and stated at cost. Depreciation and amortization of property is computed by the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Distribution System	10-40
Wells and Pumps	5-40
Stand Pipes	10-40
Office Equipment	5
Machinery and Equipment	7-10

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible accounts receivable. Members are billed for water consumption on the 28th day of the month and are expected to pay their bill by the 15th of the following month. If payment is not made by this date, the receivable is considered past due and a notice of discontinuance of service is issued. If payment is still not made by the 28th of the month, the Organization may discontinue water service without notice. The General Manager will continue to try and collect overdue balances until all options have been eliminated. If no receipt is made on the customer's account, it will be charged off.

NOTE 2: CASH AND CASH EQUIVALENTS

The Organization defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less plus all certificates of deposit. Cash consists of a non-interest bearing account with a balance at December 31, 2014, of \$138,841, in addition to \$81,836 in interest bearing reserve accounts, \$80,426 of which is restricted as to use. The use of the reserve funds is restricted under the terms of the loan agreements with the USDA and the Texas Water Development Board and is required to be kept in separate accounts from the Organization's operating account.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Land	\$ 6,637
Water distribution system	4,627,297
Equipment	53,421
Buildings	<u>1,021</u>
	4,688,376
Less: Accumulated depreciation	<u>(1,214,353)</u>
Net property, plant and equipment	\$ <u>3,474,023</u>

Depreciation charged to operations for the year ended December 31, 2014, is \$138,988. The depreciation policies followed by the Organization are described in Note 1. The property, plant and equipment has been pledged as security for the note payable to the USDA.

NORTH SAN SABA WATER SUPPLY CORPORATION

Notes to Financial Statements

For the year ended December 31, 2014

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In December 2013, the Texas Water Development Board (TWDB) awarded a \$2,503,816 loan to the Organization and further agreed that \$2,168,816 would be forgiven. The Federal Award was provided by the U.S. Environmental Protection Agency and was passed through the TWDB's Drinking Water State Revolving Fund (CFDA 66.468). The Organization used these funds for new construction and improvements to the water distribution system, storage tanks, and two new pump stations. Construction was completed in September 2014 and \$222,881 of the loan forgiveness had not been received as of December 31, 2014.

NOTE 4: NOTES PAYABLE

The long-term notes payable are as follows:

\$310,000 Note to the Texas Water Development Board at 4.07% for 10 years. The note is payable in 120 monthly required installments of \$3,222, matures January 2022, and is secured by the revenues generated by the water system.	\$ 229,256
\$335,000 Note to Texas Water Development Board at a variable rate between 0.28% and 5.79% for 30 years. Matures on December 10, 2043, and includes variable monthly installments between \$2,378 and \$1,843.41. Secured by a pledge of revenues of the water system.	\$ 328,500
\$650,000 Note to the USDA at 5% for 40 years. The note matures on September 23, 2031, has monthly required installments of \$3,140, and is secured by the water system.	\$ 329,988
TOTAL	\$ 887,744

The future minimum principle payments on the long-term notes are:

2015	56,409
2016	58,595
2017	60,981
2018	63,596
2019	66,437
2020 – 2024	262,918
2025 – 2029	100,908
2030 – 2034	59,200
2035 – 2039	78,300
2040 – 2043	80,400
	<u>\$ 887,744</u>

Interest expense on long-term debt for the year ended December 31, 2014 was \$44,826.

NORTH SAN SABA WATER SUPPLY CORPORATION*Notes to Financial Statements**For the year ended December 31, 2014***NOTE 5: COST OF WATER SOLD**

The cost of water sold consists of the following:

Water purchased	\$	61,475
Utilities		29,096
Depreciation -- Wells and Pumps		14,697
Depreciation Distribution system		104,045
Depreciation -- Stand Pipes		<u>9,762</u>
Total cost of water sold	\$	<u>219,074</u>

NOTE 6: OPERATING EXPENSES

Operating expenses consist of the following:

Repairs and supplies, water system	\$	30,051
Insurance		5,914
State testing and regulatory fees		5,467
Postage and delivery		2,316
Payroll and related		16,590
Contract labor		66,000
Depreciation		10,484
Legal and Professional		4,680
Office expenses		3,793
Rent		6,467
Miscellaneous		<u>534</u>
Total Operating Expenses	\$	<u>152,296</u>

NOTE 7: ECONOMIC DEPENDENCY

North San Saba Water Supply Corporation provides water to the rural area north of the City of San Saba, Texas. The Organization is dependent upon the people in this area to acquire water meters and purchase their water from the Organization.

NOTE 8: CONCENTRATION OF CREDIT RISK

The Organization's bank deposits did not at any time exceed the federally insured limits. The Organization periodically evaluates the FDIC coverage of its bank deposits.

NOTE 9: MEMBER'S EQUITY

The Organization currently requires members to pay a \$750 capital contribution fee and a \$100 membership fee. The membership fee must be paid before membership is extended and service is provided.

NORTH SAN SABA WATER SUPPLY CORPORATION*Notes to Financial Statements**For the year ended December 31, 2014***NOTE 10: RESTRICTIONS ON NET ASSETS**

Temporary restrictions on net assets at the end of 2014 are related to two reserve funds held at City National Bank in San Saba, Texas. The USDA reserve restriction of \$37,680 is a requirement related to a USDA note agreement and the TWDB reserve restriction of \$42,746 is a requirement related to two separate loan agreements, whereby one full year of payments is required to be held in reserve. The restrictions will be removed when the USDA note is paid in full and when the TWDB loans are paid in full.

NOTE 11: OTHER EVENTS

The drinking water supplied by the Organization is regulated by the Texas Commission on Environmental Quality (TCEQ). They have determined that certain water quality issues exist whereby the Organization's water treatment and operations are deficient due to its failure to comply with the maximum contaminant level requirement for radionuclides, specifically Radium-226 and Radium-228 levels in the water, in addition to gross alpha and chloride levels. The TCEQ continues to work with the Organization in reaching a solution to this matter that will reduce or eliminate the potential threat to public health. Alternatives include additional well drilling into different aquifers, obtaining water from other water supply facilities, and/or treating the current water supplied by the Organization.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated and reviewed by management through the financial statement issuance date of August 31, 2015.

The Board of Directors entered into a loan agreement on May 15, 2015, with Nelson Lewis, Inc. a construction company in the amount of \$70,000 at an interest rate of 4.0%, with monthly payments of \$2,066.68 over a term of 36 months. The loan was related to construction costs incurred by the Organization related to the TWDB distribution system project.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
North San Saba Water Supply Corporation
San Saba, Texas

We have audited, in accordance with the 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, the financial statements of North San Saba Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North San Saba Water Supply Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North San Saba Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See reference number "Finding 2014-01".

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North San Saba Water Supply Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reporting under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item: "Finding 2014-01".

North San Saba Water Supply Corporation's Response to Findings

North San Saba Water Supply Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North San Saba Water Supply Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Saba, Texas
August 31, 2015

NORTH SAN SABA WATER SUPPLY CORPORATION

Schedule of Findings and Responses

For the year ended December 31, 2014

Summary of Auditor's Results

1. **Finding 2014-01:**

There is an absence of appropriate segregation of duties in the accounting function consistent with appropriate control objectives. The Bookkeeper opens the mail, prepares the billing, posts entries to the accounting books, makes bank deposits, reconciles the bank statements, and prepares financial statements for management. There is a great amount of trust placed in the Bookkeeper at the Organization by the Board of Directors to not commit fraud or misconduct.

Person(s) Responsible for Correction:

Board of Directors

Management Response:

Management is presently considering both the cost and benefits of correcting this condition. There are mitigating controls such as dual signatures on checks, (of which the Bookkeeper is not an authorized signer), in addition to monthly financial statement reviews by management regarding the operations of the entity, which reduces the potential for fraud and/or misconduct.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
North San Saba Water Supply Corporation

Report on Compliance for Each Major Federal Program

We have audited North San Saba Water Supply Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North San Saba Water Supply Corporation's major federal programs for the year ended December 31, 2014. North San Saba Water Supply Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North San Saba Water Supply Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North San Saba Water Supply Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North San Saba Water Supply Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, North San Saba Water Supply Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-01. Our opinion on each major federal program is not

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modified with respect to these matters. North San Saba Water Supply Corporation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North San Saba Water Supply Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of North San Saba Water Supply Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North San Saba Water Supply Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North San Saba Water Supply Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-01, which we consider to be significant deficiencies.

North San Saba Water Supply Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North San Saba Water Supply Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Saba, Texas
August 31, 2015

NORTH SAN SABA WATER SUPPLY CORPORATION*Schedule of Expenditures of Federal Awards**For the Year Ended December 31, 2014*

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Award Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-Through Awards:			
Texas Water Development Board			
Drinking Water State Revolving Fund	66.468	L1000129	\$ 65,782
Drinking Water State Revolving Fund	66.468	LF1000128	2,153,816
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			\$ 2,219,598
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,219,598

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTH SAN SABA WATER SUPPLY CORPORATION

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

NOTE 1: GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of North San Saba Water Supply Corporation. The Organization's reporting entity is defined in Note 1 of the financial statements. Federal financial assistance passed through governmental agencies is included on the Schedule of Expenditures of Federal Awards.

NOTE 2: BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 of the financial statements.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Organization's basic financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are in agreement with the amounts reported in the related federal financial reports for the federal award programs.

NORTH SAN SABA WATER SUPPLY CORPORATION*Schedule of Findings and Questioned Costs**For the Year Ended December 31, 2014***Section I – Summary of Auditor’s Results****Financial Statements**

- | | |
|---|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified not considered to be material weakness(es)? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified not considered to be material weakness(es)? | No |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 4. Identification of major programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

66.468	U.S. Environmental Protection Agency - Texas Water Development Board - Drinking Water State Revolving Fund
--------	--

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B Programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings**2014-1 *Appropriate Segregation of Duties in the Accounting Function***

Condition: In several financial areas of North San Saba Water Supply Corporation, including administration of the Organization’s federal award programs, the Organization lacks appropriate segregation of duties. Segregation of duties is based upon the principle that no one

person should control all phases of a transaction without the interrelated functioning of some other person(s), which affords a check, or test, of the accuracy of the transaction. Because of the limited number of accounting personnel at the Organization, the desired segregation of duties does not exist. There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered.

Criteria: North San Saba Water Supply Corporation should maintain appropriate segregation of duties in the accounting function to decrease the risk of fraud, and other inaccuracies associated with one person handling the majority of the accounting functions that occur with operating transactions.

Effect or Potential Effect: The lack of segregation of duties could lead to inaccuracies in operations, reporting, and record keeping. The risk of fraud is also heightened in such circumstances.

Recommendation: The Organization should continue to re-evaluate its segregation of duties and when possible assign tasks to strengthen controls and reduce potential risks.

Management Response: We concur with the recommendation.

Section III – Federal Award Findings and Questioned Costs

Required to be reported by Section 510(a) of Circular A-133 - None noted

Section IV – Prior Year Audit Findings

Audit Finding 2013-1 was issued in the prior year for the lack of segregation of duties very similar to the findings noted above. The Organization's employees responsible for the accounting function are limited in number, and therefore the desired level of segregation of duties does not exist.

North San Saba Water Supply Corporation

Approved Annual Budget for 2014

	Monthly Average	Annual
Capital Fee	62.50	750.00
Interest	2.00	24.00
Late Fees	130.00	1,560.00
Membership Fee	62.50	750.00
Reconnects	10.00	120.00
Return Check Fee	0.00	0.00
Water Sales	28,483.00	341,796.00
Total Income	28,750.00	345,000.00
Advertising		120.00
Annual Meeting		700.00
Contract Labor	5,500.00	66,000.00
Fees	50.00	600.00
Inspection	150.00	1,800.00
Insurance Bond		150.00
Insurance Other		6,000.00
Interest	3,667.00	44,004.00
Membership Dues (TRWA)	385.00	385.00
Office Supplies	200.00	2,400.00
Payroll Expense	1,620.00	19,440.00
Penalty - TCEQ	585.00	7,020.00
Postage	210.00	2,520.00
Professional Services	500.00	6,000.00
Post Office Box Rental	5.00	60.00
Safety Deposit Box	1.00	12.00
Rental - Other (Office)	400.00	4,800.00
Repairs - Equipment	150.00	1,800.00
State Water Fee		1,800.00
Supplies - Parts - Water System	1,900.00	22,800.00
Supplies - Other (Chlorine)	180.00	2,160.00
Electricity	3,200.00	38,400.00
Telephone	170.00	2,040.00
Water Purchased	5,000.00	60,000.00
Water Testing	300.00	3,600.00
Total Expenses	24,173.00	294,611.00

Approved:


President

Secretary/Treasurer

North San Saba Water Supply Corporation

Page 1 of 2

	2014 Budget	Actual 2014
Capital Fee	\$ 750.00	\$ 1,500.00
Interest	\$ 24.00	\$ 39.82
Late Fees	\$ 1,560.00	\$ 720.00
Membership Fee	\$ 750.00	\$ 1,000.00
Reconnects	\$ 120.00	\$ -
Return Check Fee	\$ -	\$ -
Expense Rebate	\$ -	\$ 165.00
Line Extension	\$ -	\$ 3,275.00
Income Adjustment	\$ -	\$ 1,200.29
Insurance Claim	\$ -	\$ 5,559.92
Construction Project	\$ -	\$ 2,204,597.86
Water Sales	\$ 341,796.00	\$ 347,563.29
Total Income	\$ 345,000.00	\$ 2,565,621.18

Advertising	\$ 120.00	\$ -
Annual Meeting	\$ 700.00	\$ 828.00
Bonus	\$ -	\$ 1,000.00
Construction Project	\$ -	\$ 2,206,297.86
Contract Labor	\$ 66,000.00	\$ 66,000.00
Deposit		\$ 100.00
Expense Rebate	\$ -	\$ 8.00
Fees	\$ 600.00	
Inspection	\$ 1,800.00	
Insurance Bond	\$ 150.00	\$ 131.25
Insurance Other	\$ 6,000.00	\$ 5,783.00
Interest	\$ 44,004.00	\$ 47,793.70
Labor	\$ -	\$ 1,445.00
Membership Dues (TRWA)	\$ 385.00	\$ 385.00
Office Supplies	\$ 2,400.00	\$ 865.59
Office Expenses		\$ 695.46
Payroll Expense	\$ 19,440.00	\$ 19,577.70
Penalty - TCEQ	\$ 7,020.00	\$ 7,020.00
Postage	\$ 2,520.00	\$ 2,316.48
Professional Services	\$ 6,000.00	\$ 17,980.00
Reconciliation Discrepancies	\$ -	\$ 585.66
Refund	\$ -	\$ 501.45
Post Office Box Rental	\$ 60.00	\$ 60.00
Safety Deposit Box Rental	\$ 12.00	\$ 12.00
Rental - Office	\$ 4,800.00	\$ 4,800.00
Rental - Chlorine Cylinder	\$ -	\$ 1,449.87
Rental - Other	\$ -	\$ 145.00
Repairs - Equipment	\$ 1,800.00	\$ 4,262.24
State Water Fee	\$ 1,800.00	\$ 2,340.29
Supplies - Parts - Water System	\$ 22,800.00	
Equipment		\$ 5,687.32
Fence		\$ 1,750.31
Parts		\$ 25,135.35
Other		\$ 1,840.25
Supplies - Other (Cholorine)	\$ 2,160.00	\$ 847.90
Electricity	\$ 38,400.00	\$ 27,027.96
Telephone	\$ 2,040.00	\$ 1,975.47
Water Analyzer	\$ -	\$ 839.89
Water Line Extension	\$ -	\$ 29,152.00
Water Purchased	\$ 60,000.00	\$ 57,246.84
Water Testing	\$ 3,600.00	\$ 1,699.13
Total Expenses	\$ 294,611.00	\$ 2,545,585.97

0000089

Notes - Budget vs. Actual

Actual	\$	2,565,621.18
Less Construction Project	\$	(2,204,597.86)
	\$	<u>361,023.32</u>

Budget	\$	345,000.00
Actual	\$	(361,023.32)
OVER BUDGET	\$	<u>(16,023.32)</u>

Construction Project

Nelson Lewis		Sealy Engineering	
\$	67,850.00	Professional Serv.	
\$	(23,000.00)	\$	15,500.00
\$	364,349.76	\$	13,000.00
\$	241,839.09	\$	10,500.00
\$	546,018.08	\$	16,000.00
\$	446,915.80	\$	18,200.00
\$	270,469.52		
\$	218,655.61		
\$	2,133,097.86	\$	73,200.00

\$	2,133,097.86	
\$	<u>73,200.00</u>	
\$	2,206,297.86	Total Const. Proj

Actual	\$	2,545,585.97
Less Construction Project	\$	(2,206,297.86)
	\$	<u>339,288.11</u>

Budget	\$	294,611.00
Actual	\$	(339,288.11)
OVER BUDGET	\$	<u>(44,677.11)</u>

NSSWSC-000063

Kevin Shahan, CPA

Member American
Institute of Certified
Public Accountants

1102 W. Wallace Street
San Saba, TX 76877
(325) 372-4613
cpa@kevinshahan.com

Member Texas
Society of Certified
Public Accountants

Date: January 31, 2014

Invoice No. 4408

INVOICE

Payroll Services Provided for :
North San Saba Water Supply Corp., PO Box 598, San Saba, TX 76877

<u>Date</u>	<u>Description of services</u>	<u>Amount</u>
1/20/2014	Payroll services, quarterly filing of Form 941 and TWC Report - 4Q 2013	\$ 60.00
1/20/2014	Preparation of Forms 1099	40.00

Please make your check payable to "Kevin Shahan, CPA".
Thank you for your business and we look forward to continuing
to provide you with quality accounting and audit services in the future.

TOTAL \$ 100.00

Signed: _____

Kevin Shahan, CPA

NSSWSC 000161

0000091

Kevin Shahan, CPA

Member American
Institute of Certified
Public Accountants

1102 W. Wallace Street
San Saba, TX 76877
(325) 372-4613
cpa@kevinshahan.com

Member Texas
Society of Certified
Public Accountants

Date: April 22, 2014

Invoice No. 5037

INVOICE

Payroll Services Provided for :

North San Saba Water Supply Corp., PO Box 598, San Saba, TX 76877

<u>Date</u>	<u>Description of services</u>	<u>Amount</u>
4/22/2014	Payroll services: quarterly filing of Form 941 and TWC Report - 1Q 2014	\$ 60.00

513
77.7

Please make your check payable to "Kevin Shahan, CPA".
Thank you for your business and we look forward to continuing
to provide you with quality accounting and audit services in the future.

TOTAL \$ 60.00

Signed: 

Kevin Shahan, CPA

NSSWSC 000162

0000092

Kevin Shahan, CPA

Member American
Institute of Certified
Public Accountants

1102 W. Wallace Street
San Saba, TX 76877
(325) 372-4613
cpa@kevinshahan.com

Member Texas
Society of Certified
Public Accountants

Date: July 5, 2014

Invoice No. 5108

INVOICE

Payroll Services Provided for :

North San Saba Water Supply Corp., PO Box 598, San Saba, TX 76877

<u>Date</u>	<u>Description of services</u>	<u>Amount</u>
7/5/2014	Annual financial statement audit and federal tax return preparation - Form 990	\$ 4,400.00

Please make your check payable to "Kevin Shahan, CPA".
Thank you for your business and we look forward to continuing
to provide you with quality accounting and audit services in the future.

**NOTE: After 30 days, all unpaid accounts may be charged a late fee of \$15.00,
and all unpaid balances will start accruing interest at the rate of 1.5% per month
(18% per year).**

TOTAL \$4,400.00

Signed: _____

Kevin Shahan, CPA

NSSWSC 000163

0000093

Kevin Shahan, CPA

Member American
Institute of Certified
Public Accountants

1102 W. Wallace Street
San Saba, TX 76877
(325) 372-4613
cpa@kevinshahan.com

Member Texas
Society of Certified
Public Accountants

Date: July 16, 2014

Invoice No. 5148

INVOICE

Payroll Services Provided for :

North San Saba Water Supply Corp., PO Box 598, San Saba, TX 76877

<u>Date</u>	<u>Description of services</u>	<u>Amount</u>
7/8/2014	Payroll services: quarterly filing of Form 941 and TWC Report - 2Q 2014	\$ 60.00

12
7/11

Please make your check payable to "Kevin Shahan, CPA".
Thank you for your business and we look forward to continuing
to provide you with quality accounting and audit services in the future.

**NOTE: After 30 days, all unpaid accounts may be charged a late fee of \$15.00,
and all unpaid balances will start accruing interest at the rate of 1.5% per month
(18% per year).**

TOTAL \$ 60.00

Signed: _____

Kevin Shahan, CPA

NSSWSC 000164

0000094

Kevin Shahan, CPA

Member American
Institute of Certified
Public Accountants

1102 W. Wallace Street
San Saba, TX 76877
(325) 372-4613
cpa@kevinshahan.com

Member Texas
Society of Certified
Public Accountants

Date: October 16, 2014

Invoice No. 5263

INVOICE

Payroll Services Provided for :

North San Saba Water Supply Corp., PO Box 598, San Saba, TX 76877

<u>Date</u>	<u>Description of services</u>	<u>Amount</u>
10/16/2014	Payroll services: quarterly filing of Form 941 and TWC Report - 3Q 2014	\$ 60.00

11-11
ci 7579

Please make your check payable to "Kevin Shahan, CPA".
Thank you for your business and we look forward to continuing
to provide you with quality accounting and audit services in the future.

**NOTE: After 30 days, all unpaid accounts may be charged a late fee of \$15.00,
and all unpaid balances will start accruing interest at the rate of 1.5% per month
(18% per year).**

TOTAL \$ 60.00

Signed: 

Kevin Shahan, CPA

NSSWSC 000165

0000095

**North San Saba Water Supply Corporation
P. O. Box 598
San Saba, Texas 76877
325-372-5348**

STAFF RFI
NO. 1-19

Provide all Documents that support known and measurable changes from the test year.

Reply:

North San Saba Water Supply Corporation (NSSWSC) has been in non-compliance with several of the Texas Commission on Environmental Quality (TCEQ) regulations since 2011.

To bring our system into compliance NSSWSC was able to secure two (2) loans from Texas Water Development Board (TWDB) and funds from one (1) loan that was forgiven by TWDB for a "construction project" to make the improvements.

The first loan was in the amount of \$310,000 (loan # L 110054) on January 12, 2012 with a term of ten (10) years. The payments began on February 1, 2012 in the amount of \$3,222.08.

The second loan was in the amount of \$335,000 (loan # L 1000129) on November 21, 2013 with a term of thirty (30) years. The payments began on January 1, 2014. The payment amount fluctuates each month there was fluctuation of \$469.71 from the first to the second payment; but there have only been pennies difference between each following monthly payment. The total monthly payments in 2014 were \$23,367.54; averaging a \$1,947.29 payment per month. In addition the monthly loan payment NSSWSC was required to set up a reserve account in the amount of \$20,400. This is being paid in sixty (60) equal monthly payments of \$340.00. Payments began January 1, 2014.

The loan forgiveness (loan forgiveness # LF 100128) was in the amount of \$2,168,816. The loan forgiveness funds were combined with the \$335,000 loan for a total of \$2,503,816. Unfortunately the total cost of the "construction project" was \$2,610,274 leaving a balance of \$106,458 payable to the general contractor, Nelson Lewis, Inc. NSSWSC was able to negotiate a reduction of the balance to \$100,000 provided that NSSWSC make a cash down payment of \$30,000 and sign a three (3) note for \$70,000 at an interest rate of four percent (4%). The down payment and first monthly payment of \$2066.68 were made May 12, 2015.

NSSWSC 000222

0000096

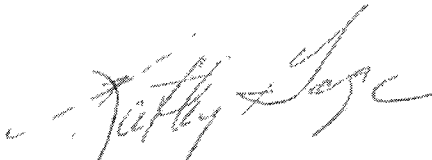
STAFF RFI
No. 1-19

Page 2

NSSWSC's long term debt increased by \$405,000 in 2014 (test year) and 2015 with monthly payments totaling \$4,353.97.

In addition to increased long term debt, in mid 2015 it was discovered that some of the equipment installed during the construction project was not performing properly. We have incurred additional costs of approximately \$5,000 for engineering and will need to spend approximately \$60,000 minimum to correct the issues.

Due to the increased loan payments and need to correct equipment issues the Board of Directors began its review of our rates in July, 2015.



Kathy Gage
President
North San Saba Water Supply Corporation

TARIFF

NORTH SAN SABA WATER SUPPLY CORPORATION

P. O. BOX 598

SAN SABA, TEXAS 76877

CCN: 11227 -----TDH # 2060003

REVISIONS:

July 1978; March 1982; February 1983; September 1985; May-June 1988;
December 1991; June 1992; October 1992; September 1993;
November 1993; January 1994; June 2006; August 2008;
October 2009; March, 2014, September, 2015

Submitted to TCEQ:

February 13, 1990; December 15, 1992; January 17, 1994
June 2006; August 2008; November 2009, April 2014

Submitted to Public Utility Commission

October 22, 2015 (effective 9-15-15)

NSSWSC 000225

0000098

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Right of Way Easement – FmHA-Tx 442-9	16 & 17

NORTH SAN SABA WATER SUPPLY CORPORATION TARIFF
 REVISED October 22, 2015
 Effective September 15, 2015

NSSWSC 000226

0000099