

- D. The Contractor shall supply favorable references acceptable to the Corporation, and
- E. The Contractor shall qualify with the Corporation as competent to complete the work.

9. Pre-Payment For Construction And Service. After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all costs necessary for completion of the project prior to construction and in accordance with the terms of the Service Agreement.

10. Construction.

- A. All road work pursuant to county and/or municipal standards (if applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.
- B. The Corporation shall, at the expense of the Applicant, inspect the facilities to insure that Corporation standards are achieved.
- C. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

## SECTION G: RATES AND SERVICE FEES

Unless specifically defined in this Tariff, all fees, rates, and charges as herein stated shall be non-refundable.

1. Service Investigation Fee. The Corporation shall conduct a service investigation for each service application submitted at the Corporation office and report the results under the following terms:

- A. All Standard Service Applications shall be investigated without charge and all costs for installation shall be quoted to the Applicant within ten (10) working days of application.
- B. All Non-Standard Service Applications shall be subject to a fee, unique to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant, provide costs estimates of the project, present detailed plans and specifications as per final plat, advertise and accept bids for the project, present a Non-Standard Service Agreement to the Applicant, and provide other services as required by the Corporation for such investigation. A Non-Standard Service Agreement shall be presented to the Applicant within a suitable amount of time as determined by the complexity of the project. (See Section F)

2. Membership Fee. At the time an application for service is completed and submitted, a Membership Fee of \$200.00 must be paid before the application for service shall be accepted by the Corporation on a per lot or meter equivalency basis.

3. Easement Fee. When the Corporation determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to secure easements in behalf of the Corporation and/or pay all costs incurred by the Corporation in validating, clearing, and retaining such right-of-way in addition to tap fees otherwise required pursuant to the provisions of this Tariff. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way and/or facilities sites in behalf of the Applicant.

4. Installation Fee. The Corporation shall charge an installation fee for service as follows:
- A. Standard Service shall include all current labor, materials, engineering, legal, and administrative fees necessary to provide individual metered service and shall be charged on a per tap basis. The installation fee shall be quoted to the Applicant after a service investigation has been conducted.
  - B. Non-Standard Service shall include any and all construction labor and materials, administration, legal, engineering, Membership, Buy-in, and monthly Service Availability Fees as determined by the Corporation under the rules of Section F of this Tariff.
  - C. Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E, Sub-section 2. C. (i-v) of this Tariff.

5. Buy-in Fees. Buy-in Fee includes a \$200.00 membership fee **plus** the following tap fee according to the meter size selected.

5/8" x 3/4" meter -	\$ 995.00	total: \$ 1,095.00
3/4" meter -	\$ 1,095.00	total: \$ 1,195.00
1" meter -	\$ 1,195.00	total: \$ 1,295.00
Over 1" meter - cost of labor & materials.		

6. Standard and Non-Standard Service Availability Charges.

A. The Service Availability Charge (minimum monthly charge) for metered water service is as follows:

5/8" x 3/4" meter -	\$ 29.50 with a minimum of -0- gallons
3/4" meter -	\$ 34.26 with a minimum of -0- gallons
1" meter -	\$ 68.01 with a minimum of -0- gallons
2" meter -	\$ 151.00 with a minimum of -0- gallons
3" meter -	\$ 194.10 with a minimum of -0- gallons
4" meter -	\$ 284.80 with a minimum of -0- gallons

All additional gallons will be charged at \$3.30 per 1,000 gallons up to 10,000 gallons; \$3.35 per 1,000 gallons over 10,000 and up to 20,000 gallons; and \$3.40 per 1,000 gallons over 20,000 gallons.

B. Non-Standard Service Availability Charges – The Corporation shall charge a monthly Service Availability Charge to all Applicants based on the Corporation's monthly operating costs to service the Applicant's dedicated facilities on a per lot basis, and thereby reserving service to the Applicants service area. This fee is determined on a case by case basis but shall never exceed the monthly Service Availability Charge for Standard Metered Service on a per lot/tap basis.

C. In addition to the Standard and Non-Standard Service Availability Charge, a gallonage charge shall be added to this minimum monthly charge at a rate of a \$3.30 per 1,000 gallons up to 10,000 gallons; \$3.35 per 1,000 gallons over 10,000 and up to 20,000 gallons; and \$3.40 per 1,000 gallons over 20,000 gallons in any one (1) billing period. The monthly minimum shall be charged when service has been established.

7. Late Payment Fee. A penalty of \$5.00 per billing period shall be made on delinquent bills. This late payment penalty shall be applied to any unpaid balance exceeding \$14.99 during any one billing period.
8. Returned Check Fee. In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the Corporation for payment of services provided for in this Tariff, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$15.00.
9. Service Fee. The Corporation shall charge a fee for reconnecting service after the Corporation has previously disconnected the service for any reason provided for in this

Tariff except for activation of service under Section E.2.b. (Re-Service). The service fee for a lockout is \$60.00 between 8:00 a.m. and 4:00 p.m. Monday through Friday and \$90.00 between 4:00 p.m. and 8:00 p.m.

10. Equipment Damage Fee. If the Corporation's facilities or equipment have been damaged by tampering, by-passing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other Corporation actions shall be charged and paid before service is re-established. If the Corporation's equipment has not been damaged, a fee equal to the actual costs for all labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority. All components of this fee will be itemized, and an itemized statement shall be provided to the Member. The Corporation reserves the right to take legal action against parties responsible for such damage and any costs derived from said legal action will be the responsibility of said party. If the Corporation's facilities or equipment have damage due to negligence or unauthorized use of the Corporation's equipment, right-of-way, or meter shut-off valve; or due to other acts for which the Corporation incurs losses or damages, the Member shall be liable for all labor and material charges incurred as a result of said acts or negligence.
11. Customer History Report Fee. A fee of \$5.00 shall be charged to provide a copy of the members record of past water purchases in response to a member's request for such a record.
12. Meter Test Fee. A customer may receive one meter test per year at no cost to the customer. Thereafter, the Corporation shall test a Member's meter upon written request of the Member. Under the terms of Section E of this Tariff, a charge of \$15.00 shall be imposed on the affected account.
13. Membership Certificate Copy Fee. A fee will be charged to provide a duplicate copy of the Membership Certificate.

## SECTION H: EMERGENCY RATIONING PROGRAM

The following water rationing program is adopted for emergency use only during periods of acute water shortage.

1. Declaration of Emergency. When a system demand exceeds production or storage capability and refilling the storage facilities is rendered impossible, OR when the Corporation is notified by its wholesale supplier of a cutback in water to be delivered to such an extent that normal use patterns will no longer be possible, the Corporation may declare an emergency to exist, and thereafter ration water in the following manner.
2. Notice Requirements-Water Shortage Emergency.  
Upon implementation by the Board of Directors and publication of notice, the following restrictions shall apply to all persons. The General Manager, in the exercise of his/her discretion based upon guidelines established by the Board of Directors, may implement any or all of those elements of Stage 4 as are deemed necessary at any particular time. All elements of Stage 3 – Water Shortage Warning shall remain in effect in Stage 4.
  - A. No applications for new, additional, further expanded, or increased-in-size water service connections, meters, service lines, pipeline extensions, mains, or other water service facilities of any kind shall be allowed, approved, or installed except as approved by the Allocation and Review Committee.
  - B. All allocations of water use to industrial and commercial customers in amounts as established after consultation with the Allocation and Review Committee.
  - C. The maximum monthly use for a residential customer be established with revised rate schedules and penalties by the Board of Directors on recommendation by the Allocation and Review Committee.
  - D. The Board of Directors and General Manager shall take those actions deemed necessary to meet the conditions resulting from the emergency.
3. Stage Levels-Details of each stage are described in the Nueces Water Supply Corporation Water Conservation and Drought Contingency Plan (the Plan). The following brief summaries are not intended to replace the Plan.
  - A. Stage 1 (Water Shortage Possibility) - Alternate day usage of water for outdoor purposes such as lawns, gardens, car washing, etc. The provisions for alternate day use shall be specified by the Corporation in the written notice. Upon implementation by the Board of Directors, customers of the Nueces Water Supply Corporation are requested through the news media announcements and utility bill inserts to voluntarily conserve and limit their use of water and shall comply with the following restrictions on the use of water for irrigation of vegetation. All Water Supply Corporation operations are placed on mandatory conservation. Water for irrigation of vegetation may be used only on such day or days of each week, other than between the hours of 10:00 a.m. and 6:00 p.m., based on street numbers, as may be designated by the General Manager.

B. Stage 2 (Water Shortage Watch) - All elements of Stage 1 shall remain in effect in Stage 2. The following additional restrictions shall apply:

- (i) The sprinkling of vegetation.
- (ii) The washing of any type of mobile equipment is prohibited.
- (iii) The washing of building exteriors and interiors, trailers, trailer houses and railroad cars.
- (iv) The permitting or maintaining of defective plumbing in a home, business establishment, or any location where water is used on the premises is prohibited.
- (v) The use of fire hydrants for any purpose other than fire fighting.
- (vi) The use in ornamental fountains or in artificial waterfalls.
- (vii) The use to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced area.
- (viii) The use for dust control.
- (ix) The use by a golf course to irrigate any portion of its ground.

C. Stage 3 (Water Shortage Warning) - All elements of Stage 2 shall remain in effect in Stage 3. In addition the following shall apply.

- (i) New service connections to the Corporation's water system are prohibited,
- (ii) A mandatory limit of normal water use by customers without use penalty,
- (iii) A maximum limit beyond which water service will be terminated,
- (iv) Water to serve a customer in a restaurant, is prohibited,
- (v) Water for scenic and recreational ponds and lakes is prohibited, and
- (vi) Water to put new agricultural land into production is prohibited.

D. Stage 4 (Water Shortage Emergency and Rationing) - Water Shortage elements will be implemented as described in Section 2 above. In addition, water rationing will be implemented according to customer category:

(i) Single-Family Residential Customers

Persons per household	Allocated gallons per month	Overage Surcharge
1 or 2	6,000	\$ 3.00 for the first 1,000 gallons over allocation.
3 or 4	7,000	\$ 6.00 for the second 1,000 gallons over allocation.
5 or 6	8,000	\$ 12.00 for the third 1,000 gallons over allocation.
7 or 8	9,000	\$ 24.00 for each additional 1,000 gallons over allocation.
9 or 10	10,000	
11 or more	12,000	

- (ii) **Single-Family Residential Customers with Livestock**  
In addition to the number of persons per household and the gallons per month as stated in the previous section, a certain number of gallons will be allocated for livestock/farm animals based on the 1) type of livestock/farm animals (see definitions), 2) the number of Animal Units, and 3) a 15 gallon per day per Animal Unit amount.
- (iii) **Livestock Customer**  
Gallons per month will be allocated for livestock/farm animals based on the 1) type of livestock/farm animals, 2) the number of Animal Units, and 3) A 15 gallon per day per Animal Unit amount.
- (iv) **Master-Metered Multi-Family Residential Customer**  
The allocation to a customer billed from a master meter, which jointly measures water to multiple permanent residential dwelling units (e.g., apartments, mobile homes) shall be allocated 6,000 gallons per month for each dwelling unit. It shall be assumed that such a customer's meter serves two dwelling units unless the customer notifies the Nueces Water Supply Corporation of a greater number on a form prescribed by the General Manager.
- (v) **Commercial Customers**  
The cost for each nonresidential commercial customer other than an industrial customer shall be charged according to the following rate schedule:
 

0 – 10,000 gallons	1.5 X established rate.
10,000 – 20,000 gallons	2.0 X established rate.
20,001 – 50,000 gallons	3.0 X established rate.
50,001 + gallons	5.0 X established rate.
- (vi) **Industrial Customers**  
The Cost for each industrial customer shall be charged according to the following rate schedule:
 

0 – 10,000 gallons	1.6 X established rate.
10,000 – 20,000 gallons	2.1 X established rate.
20,001 – 50,000 gallons	3.0 X established rate.
50,001 + gallons	5.0 X established rate.

4. **Enforcement and Violation of Emergency Rationing Rules.**

- A. No person shall knowingly or intentionally allow the use of water from the Nueces Water Supply Corporation for residential, commercial, industrial, agricultural, governmental, or any other purpose in a manner contrary to any provision of this Plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by General Manager, or his/her designee, in accordance with provisions of this Plan

- B. Any person who violates this Plan is guilty of a Tariff violation and shall be punished by a fine of not less than **fifty dollars (\$50.00)** and not more than **one hundred dollars (\$100.00)**. Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If a person is convicted of three or more distinct violations of this Plan, the General Manager shall, upon due notice to the customer, be authorized to discontinue water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, hereby established at **one-hundred dollars (\$100.00)**, and any other costs incurred by the Nueces Water Supply Corporation in discontinuing service. In addition, suitable assurance must be given to the General Manager that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.
- C. Any person, including a person classified as a water customer of the Nueces Water Supply Corporation, in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child, occurred on property within the parents' control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this Plan and that the parent could not have reasonably known of the violation.

5. Exemptions or Variances From Rationing Rules. The Board of Directors may grant any Member an exemption or variance from the uniform rationing program, for good cause as outlined in the Plan. The Corporation shall treat all Members equally concerning exemptions and variances, and shall not employ discrimination in such grants.

**The purpose of this Emergency Rationing Program is to conserve the total amount of water demanded for the Corporation until supply can be restored to normal levels.**



SECTION I  
NUECES WATER SUPPLY CORPORATION  
FEES

1. Service Investigation Fee.
  - A. Standard Service—No Charge
  - B. Non-Standard Service—Actual Cost to Corporation
  - C. Developer Analysis—\$400.00
2. Membership Fee. \$200.00
3. Easement Fee. Actual Cost to Corporation
4. Installation Fee. The Corporation shall charge an installation fee for service as follows:
  - A. Standard Service—\$ 695.00
  - B. Non-Standard Service—\$695 plus actual cost to Corporation for road bore and long service connection.
  - C. Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E, Sub-section 2.C. (i-v) of this Tariff.
  - D. Customer Service Inspection—In addition to the Installation Fee, prior to service availability, a Customer Service Inspection (CSI) shall occur at a cost of \$75.00. The CSI must pass for service to be provided. Should multiple CSIs be necessary due to failure to pass inspection, a charge of \$50.00 will be assessed for **each** CSI.
5. Front-end Capital Contributions. \$300.00
6. Monthly Charges.
  - A. Minimum Monthly Charges-
    - \$ 29.50 - 5/8" meter
    - \$ 34.26 - 3/4" meter
    - \$ 68.01 - 1" meter
    - \$ 151.00 - 2" meter
    - \$ 194.10 - 3" meter
    - \$ 284.80 - 4" meter
  - B. Reserved Service Charges-
    - \$ 29.50 - 5/8" meter
    - \$ 34.26 - 3/4" meter
    - \$ 68.01 - 1" meter
    - \$ 151.00 - 2" meter
    - \$ 194.10 - 3" meter
    - \$ 284.80 - 4" meter
7. Late Payment Fee. \$5.00
8. Owner Notification Fee. No Charge
9. Returned Check Fee. \$15.00

10. Re-Service Fee. \$ 29.50/Month or corresponding monthly minimum based on meter size per Item 6 above for all times since last service up to a maximum equal to the Front-End Capital Contribution, plus any costs to re-service the facility.
11. Service Trip Fee. \$35.00 during Normal Business Hours (8:00 a.m. to 4:00 p.m.); \$60.00 after Business Hours (4:00 p.m. to 8:00 p.m.). An after-hours call out minimum of 1 hour at \$60.00 per hour will be charged.
12. Service Fee for non-payment. \$60.00 during normal Business Hours (8:00 a.m. to 4:00 p.m.); \$90.00 after Business Hours (4:00 p.m. to 8:00 p.m.). If meter has been removed, applicable fees will also apply.
13. Equipment Damage Fee. Actual Cost to Corporation
14. Customer History Report Fee. \$5.00
15. Meter Test Fee. \$15.00
16. Membership Transfer Fee. \$25.00
17. Membership Certificate Copy Fee. \$2.00

**NUECES WATER SUPPLY CORPORATION**  
P.O. BOX 415  
KINGSVILLE, TEXAS 78364

**ATTACHMENT 10**

**QUESTION 16**

The NWSC's financial information responsive to "Part D – Historical Financial Information" and "Part E – Projected Information" is attached hereto.

# BID TABULATION

Client Name Nueces County  
 Project Number #150022  
 Project Name 2015 CDBG Cindy Park Water Line  
 Contract Number #7214085  
 Date November 24, 2015 @ 2pm

LNK, INC  
 801 NAVIGATION, SUITE 300  
 CORPUS CHRISTI, TX 78408  
 PHONE 361 883 1984  
 FAX 361 883 1986

				Bridges Specialties 4233 FM 624 Robstown, TX 78380		DMB Construction 4722 Neptune St Corpus Christi, TX 78405		Donald Hubert Construction PO Box 84 Kingsville, TX 78364		The S125 Company 1008 Doherty Mission, TX 78572		Walters Engineering 12870 Adkins St. Hedwig Rd St. Hedwig, TX 78152	
ITEM	QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE
BASE BID													
1	1		MOBILIZATION	N/A	N/A	N/A	N/A	\$0.00	\$0.00	N/A	N/A	\$15,360.00	\$15,360.00
2	1	LS	BOND, INSURANCE & OVERHEAD	PRESET	\$18,177.00	N/A	N/A	\$0.00	\$0.00	N/A	N/A	\$10,321.07	\$10,321.07
3	6,181	LF	6" WATERLINE	\$16.62	\$102,728.22	\$19.18	\$118,551.58	\$0.00	\$0.00	\$24.00	\$148,344.00	\$29.69	\$183,513.89
4	14	EA	3/4 WATER SERVICE (LONG) PUBLIC	\$540.00	\$7,560.00	\$1,888.29	\$26,436.06	\$0.00	\$0.00	\$2,500.00	\$35,000.00	\$2,939.04	\$41,146.56
4A	14	EA	3/4 WATER SERVICE (LONG) PRIVATE	\$360.00	\$5,040.00								
5	17	EA	3/4 WATER SERVICE (SHORT) PUBLIC	\$420.00	\$7,140.00	\$1,010.00	\$17,170.00	\$0.00	\$0.00	\$1,500.00	\$25,500.00	\$1,041.37	\$17,703.29
5A	17	EA	3/4 WATER SERVICE (SHORT) PRIVATE	\$280.00	\$4,760.00								
6	1	EA	1" WATER SERVICE (LONG) PUBLIC	\$630.00	\$630.00	\$1,924.00	\$1,924.00	\$0.00	\$0.00	\$2,500.00	\$2,500.00	\$3,138.68	\$3,138.68
6A	1	EA	1" WATER SERVICE (LONG) PRIVATE	\$420.00	\$420.00								
7	1	EA	1" WATER SERVICE (SHORT) PUBLIC	\$570.00	\$570.00	\$1,075.00	\$1,075.00	\$0.00	\$0.00	\$1,500.00	\$1,500.00	\$1,214.54	\$1,214.54
7A	1	EA	1" WATER SERVICE (SHORT) PRIVATE	\$380.00	\$380.00								
8	30	LF	16" BORE UNDER CINDY LANE AT WATER PLANT	N/A	N/A	N/A	N/A	\$0.00	\$0.00	N/A	N/A	\$404.21	\$12,126.30
9	267	SY	BASE REPAIR	\$18.00	\$4,806.00	\$82.04	\$21,904.68	\$0.00	\$0.00	\$50.00	\$13,350.00	\$0.00	\$0.00
10	831	LF	BASE REPAIR	N/A	N/A	N/A	N/A	\$0.00	\$0.00	N/A	N/A	\$21.30	\$17,700.30
11	35	EA	WATER METER	\$70.00	\$2,450.00	\$538.40	\$18,844.00	\$0.00	\$0.00	\$500.00	\$17,500.00	\$172.80	\$6,048.00
12	4	EA	GATE VALVE	\$500.00	\$2,000.00	\$1,205.50	\$4,822.00	\$0.00	\$0.00	\$1,500.00	\$6,000.00	\$1,068.37	\$4,273.48
13	8	EA	BOX W/ CONCRETE COLLAR	\$100.00	\$800.00	\$225.00	\$1,800.00	\$0.00	\$0.00	\$300.00	\$2,400.00	\$178.25	\$1,426.00
14	1	EA	TIE INTO EXISTING WATERLINE	\$2,000.00	\$2,000.00	\$14,701.00	\$14,701.00	\$0.00	\$0.00	\$4,233.77	\$4,233.77	\$1,399.46	\$1,399.46
15	1	EA	6" 90 DEGREE BEND	\$100.00	\$100.00	\$438.00	\$438.00	\$0.00	\$0.00	\$750.00	\$750.00	\$385.18	\$385.18
16	12	EA	6" 45 DEGREE BEND	\$95.00	\$1,140.00	\$792.33	\$9,507.96	\$0.00	\$0.00	\$500.00	\$6,000.00	\$371.64	\$4,459.68
17	2	EA	6"X6" TEE	\$115.00	\$230.00	\$1,272.50	\$2,545.00	\$0.00	\$0.00	\$750.00	\$1,500.00	\$479.31	\$958.62
18	2	EA	FLUSH VALVE SYSTEM	\$900.00	\$1,800.00	\$2,859.50	\$5,719.00	\$0.00	\$0.00	\$1,200.00	\$2,400.00	\$1,715.96	\$3,431.92
19	4	EA	WATERLINE PLUG	\$50.00	\$200.00	\$395.00	\$1,580.00	\$0.00	\$0.00	\$750.00	\$3,000.00	\$171.80	\$687.20
20	2	EA	FIRE HYDRANT ASSEMBLY	\$3,400.00	\$6,800.00	\$3,965.00	\$7,930.00	\$0.00	\$0.00	\$4,500.00	\$9,000.00	\$3,960.98	\$7,921.96
21	4	EA	6" GATE VALVE	\$200.00	\$800.00								
22	4	EA	LONG SLEEVE	\$200.00	\$800.00								
23	4	EA	CUTTING INTO EXISTING WATER LINE	\$950.00	\$3,800.00								
24	1	EA	DEWATERING	\$1,900.00	\$1,900.00								
25	1	EA	RETEST/CHLORINATE	\$3,800.00	\$3,800.00								
26	17	EA	ADDITIONAL VALVES AFTER METER/BOX	\$345.00	\$5,865.00								
27	3	EA	ADDITIONAL SERVICES	\$1,950.00	\$5,850.00								
BASE BID SUB-TOTAL:					\$192,546.22		\$254,948.28		\$265,000.00		\$278,977.77		\$333,216.13

\* DENOTES ERROR IN BID

	HISTORIC BALANCE SHEETS						PROJECTED BALANCE SHEETS					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	START UP - FY 17	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>CURRENT ASSETS</b>												
Cash	\$ 775,822	\$ 911,717	\$ 990,313	\$ 1,059,689	\$ 1,269,861	\$ 1,226,890	\$ 1,324,066	\$ 1,492,027	\$ 1,673,025	\$ 1,872,631	\$ 2,079,702	\$ 2,294,037
Accounts Receivable	\$ 74,495	\$ 89,958	\$ 95,471	\$ 90,535	\$ 81,303	\$ 80,387	\$ 85,500	\$ 85,500	\$ 85,500	\$ 85,500	\$ 85,500	\$ 85,500
Inventories	\$ 24,521	\$ 26,157	\$ 22,979	\$ 15,338	\$ 19,830	\$ 25,212	\$ 22,350	\$ 22,350	\$ 22,350	\$ 22,350	\$ 22,350	\$ 22,350
Income Tax Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 80,735	\$ 80,836	\$ 80,887	\$ 83,716	\$ 82,920	\$ 96,741	\$ 98,000	\$ 103,000	\$ 106,000	\$ 110,000	\$ 112,000	\$ 114,000
<b>TOTAL</b>	\$ 955,573	\$ 1,108,668	\$ 1,189,650	\$ 1,249,278	\$ 1,453,914	\$ 1,429,230	\$ 1,529,916	\$ 1,702,877	\$ 1,886,875	\$ 2,090,481	\$ 2,299,552	\$ 2,515,887
<b>FIXED ASSETS</b>												
Land - Easments	\$ 2,450	\$ 2,450	\$ 2,450	\$ 25,450	\$ 25,450	\$ 25,688	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000
Collection Distribution	\$ 2,659,523	\$ 2,664,301	\$ 2,664,301	\$ 2,675,731	\$ 2,753,967	\$ 2,915,352	\$ 2,950,000	\$ 3,545,000	\$ 4,560,000	\$ 4,575,000	\$ 4,590,000	\$ 4,605,000
Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Equipment - Office and Meters	\$ 453,011	\$ 469,906	\$ 495,458	\$ 530,278	\$ 556,930	\$ 578,967	\$ 590,000	\$ 695,000	\$ 725,000	\$ 755,000	\$ 785,000	\$ 815,000
Other - Eng./Constr. in Progress	\$ 151,107	\$ 164,907	\$ 229,978	\$ 307,687	\$ 351,795	\$ 351,795	\$ 351,795	\$ 1,551,795	\$ 551,795	\$ 551,795	\$ 551,795	\$ 551,795
Less: Accum Depr/Reserves	\$ (1,736,093)	\$ (1,833,972)	\$ (1,932,359)	\$ (2,036,034)	\$ (2,151,427)	\$ (2,275,918)	\$ (2,410,918)	\$ (2,605,918)	\$ (2,802,918)	\$ (3,003,918)	\$ (3,208,918)	\$ (3,417,918)
<b>TOTAL</b>	\$ 1,529,998	\$ 1,467,592	\$ 1,459,828	\$ 1,503,112	\$ 1,536,715	\$ 1,595,884	\$ 1,506,877	\$ 3,286,877	\$ 3,134,877	\$ 2,978,877	\$ 2,818,877	\$ 2,654,877
<b>TOTAL ASSETS</b>	\$ 2,485,571	\$ 2,576,260	\$ 2,649,478	\$ 2,752,390	\$ 2,990,629	\$ 3,025,114	\$ 3,036,793	\$ 4,989,754	\$ 5,021,752	\$ 5,069,358	\$ 5,118,429	\$ 5,170,764
<b>CURRENT LIABILITIES</b>												
Accounts Payable	\$ 88,491	\$ 95,387	\$ 99,597	\$ 109,970	\$ 62,811	\$ 71,957	\$ 88,000	\$ 88,000	\$ 88,000	\$ 88,000	\$ 88,000	\$ 88,000
Notes Payable, Current	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 3,938	\$ 4,095	\$ 4,448	\$ 750	\$ 4,115	\$ 4,474	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
<b>TOTAL</b>	\$ 92,429	\$ 99,482	\$ 104,045	\$ 110,720	\$ 66,926	\$ 76,431	\$ 93,000	\$ 93,000	\$ 93,000	\$ 93,000	\$ 93,000	\$ 93,000
<b>LONG TERM LIABILITIES</b>												
Notes Payable, Long-term	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other - Membership Deposits	\$ 79,100	\$ 82,600	\$ 85,200	\$ 88,200	\$ 89,400	\$ 90,400	\$ 92,900	\$ 102,100	\$ 109,300	\$ 117,500	\$ 123,700	\$ 129,900
<b>TOTAL LIABILITIES</b>	\$ 171,529	\$ 182,082	\$ 189,245	\$ 198,920	\$ 156,326	\$ 166,831	\$ 185,900	\$ 195,100	\$ 202,300	\$ 210,500	\$ 216,700	\$ 222,900
<b>OWNER'S EQUITY</b>												
Paid in Capital	\$ 1,357,805	\$ 1,394,320	\$ 1,415,370	\$ 1,501,182	\$ 1,527,668	\$ 1,555,201	\$ 1,585,201	\$ 3,525,201	\$ 3,540,201	\$ 3,565,000	\$ 3,590,000	\$ 3,615,000
Retained Equity	\$ 944,370	\$ 956,237	\$ 999,858	\$ 1,044,863	\$ 1,052,288	\$ 1,306,636	\$ 1,303,082	\$ 1,265,692	\$ 1,172,861	\$ 1,173,336	\$ 1,175,452	\$ 1,179,207
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Period Profit or Loss	\$ 11,867	\$ 43,621	\$ 45,005	\$ 7,426	\$ 254,348	\$ (3,554)	\$ (37,390)	\$ (92,831)	\$ 475	\$ 2,116	\$ 3,756	\$ 5,396
<b>TOTAL OWNER'S EQUITY</b>	\$ 2,314,042	\$ 2,394,178	\$ 2,460,233	\$ 2,553,471	\$ 2,834,304	\$ 2,858,283	\$ 2,850,893	\$ 4,698,062	\$ 4,713,537	\$ 4,740,452	\$ 4,769,207	\$ 4,799,603
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 2,485,571	\$ 2,576,260	\$ 2,649,478	\$ 2,752,391	\$ 2,990,630	\$ 3,025,114	\$ 3,036,793	\$ 4,893,162	\$ 4,915,837	\$ 4,950,952	\$ 4,985,907	\$ 5,022,503
<b>WORKING CAPITAL</b>	\$ 956,237	\$ 999,858	\$ 1,044,863	\$ 1,052,289	\$ 1,306,636	\$ 1,303,082	\$ 1,265,692	\$ 1,172,861	\$ 1,173,336	\$ 1,175,452	\$ 1,179,207	\$ 1,184,603
<b>CURRENT RATIO</b>	<b>10.34</b>	<b>11.14</b>	<b>11.43</b>	<b>11.28</b>	<b>21.72</b>	<b>18.70</b>	<b>16.45</b>	<b>18.31</b>	<b>20.29</b>	<b>22.48</b>	<b>24.73</b>	<b>27.05</b>
<b>DEBT TO EQUITY RATIO</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>EQUITY TO TOTAL ASSETS</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>95%</b>	<b>94%</b>	<b>94%</b>	<b>94%</b>	<b>94%</b>	<b>94%</b>	<b>93%</b>	<b>93%</b>

	2011	2012	2013	2014	2015	2016	2017 <sup>1</sup>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>METER NUMBER</b>													
Existing Number of Taps	777	793	820	851	873	890	902	923	944	965	986	1,006	
New Taps per Year	16	27	31	22	17	12	21	21	21	21	21	21	
<b>Total Meters at Year End</b>	<b>793</b>	<b>820</b>	<b>851</b>	<b>873</b>	<b>890</b>	<b>902</b>	<b>923</b>	<b>944</b>	<b>965</b>	<b>986</b>	<b>1,006</b>	<b>1,027</b>	<b>0</b>
<b>METER REVENUE</b>													
Fees Per Meter <sup>2</sup>	\$ 768.43	\$ 762.71	\$ 842.36	\$ 828.06	\$ 1,160.33	\$ 973.99	\$ 904.66	\$ 900.00	\$ 995.00	\$ 995.00	\$ 995.00	\$ 995.00	
Cost Per Meter <sup>3</sup>	\$ 754.39	\$ 710.85	\$ 790.26	\$ 819.96	\$ 875.64	\$ 983.50	\$ 990.43	\$ 1,051.33	\$ 1,048.93	\$ 1,048.66	\$ 1,048.40	\$ 1,048.15	
<b>Operating Revenue Per Meter</b>	<b>\$ 14.04</b>	<b>\$ 51.86</b>	<b>\$ 52.10</b>	<b>\$ 8.10</b>	<b>\$ 284.68</b>	<b>\$ (9.51)</b>	<b>\$ (85.77)</b>	<b>\$ (151.33)</b>	<b>\$ (53.93)</b>	<b>\$ (53.66)</b>	<b>\$ (53.40)</b>	<b>\$ (53.15)</b>	
<b>GROSS WATER REVENUE</b>													
Fees	\$ 572,884	\$ 588,689	\$ 677,111	\$ 683,100	\$ 771,851	\$ 834,074	\$ 835,000	\$ 849,471	\$ 959,891	\$ 980,644	\$ 1,001,396	\$ 1,022,149	
Other	\$ 37,213	\$ 37,826	\$ 40,403	\$ 40,153	\$ 261,821	\$ 49,492	\$ 41,775	\$ 50,000	\$ 52,500	\$ 55,000	\$ 57,500	\$ 60,000	
<b>Gross Income</b>	<b>\$ 610,097</b>	<b>\$ 626,515</b>	<b>\$ 717,514</b>	<b>\$ 723,253</b>	<b>\$ 1,033,672</b>	<b>\$ 883,566</b>	<b>\$ 876,775</b>	<b>\$ 899,471</b>	<b>\$ 1,012,391</b>	<b>\$ 1,035,644</b>	<b>\$ 1,058,896</b>	<b>\$ 1,082,149</b>	
<b>OPERATING EXPENSES</b>													
General & Administrative	\$ 501,371	\$ 485,014	\$ 574,122	\$ 612,153	\$ 663,931	\$ 762,628	\$ 779,165	\$ 797,303	\$ 814,915	\$ 832,528	\$ 850,141	\$ 867,753	
Interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Other - Depreciation	\$ 96,859	\$ 97,880	\$ 98,387	\$ 103,674	\$ 115,393	\$ 124,492	\$ 135,000	\$ 195,000	\$ 197,000	\$ 201,000	\$ 205,000	\$ 209,000	
<b>NET INCOME</b>	<b>\$ 11,867</b>	<b>\$ 43,621</b>	<b>\$ 45,005</b>	<b>\$ 7,426</b>	<b>\$ 254,348</b>	<b>\$ (3,554)</b>	<b>\$ (37,390)</b>	<b>\$ (92,831)</b>	<b>\$ 475</b>	<b>\$ 2,116</b>	<b>\$ 3,756</b>	<b>\$ 5,396</b>	

<sup>1</sup> Based on count as of September 2017 Billing.

<sup>2</sup> Based on Total Water Revenues divided by number of meters.

<sup>3</sup> Based on Total Expenses Divided by number of meters.

	HISTORIC EXPENSE DETAIL						PROJECTED EXPENSE DETAIL					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	START UP - FY 17	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>OPERATING EXPENSES</b>												
Water Service	\$ 258,021	\$ 257,043	\$ 333,851	\$ 329,378	\$ 395,442	\$ 450,333	\$ 474,277	\$ 484,994	\$ 495,712	\$ 506,429	\$ 517,146	\$ 527,863
Water Samples	\$ 5,507	\$ 4,685	\$ 3,862	\$ 4,357	\$ 4,129	\$ 3,537	\$ 5,500	\$ 5,624	\$ 5,749	\$ 5,873	\$ 5,997	\$ 6,121
Meter Reading	\$ 41,714	\$ 43,901	\$ 47,316	\$ 49,564	\$ 41,487	\$ 44,384	\$ 47,600	\$ 48,676	\$ 49,751	\$ 50,827	\$ 51,902	\$ 52,978
Depreciation	\$ 96,859	\$ 97,880	\$ 98,387	\$ 103,674	\$ 115,393	\$ 124,492	\$ 135,000	\$ 195,000	\$ 197,000	\$ 201,000	\$ 205,000	\$ 209,000
Dues	\$ 3,506	\$ 305	\$ 4,252	\$ 3,294	\$ 4,188	\$ 3,633	\$ 4,500	\$ 4,602	\$ 4,703	\$ 4,805	\$ 4,907	\$ 5,008
Insurance	\$ 2,846	\$ 4,647	\$ 3,848	\$ 3,848	\$ 4,085	\$ 7,369	\$ 11,088	\$ 11,339	\$ 11,589	\$ 11,840	\$ 12,090	\$ 12,341
Legal and Accounting	\$ 20,407	\$ 5,395	\$ 12,446	\$ 12,559	\$ 13,960	\$ 7,105	\$ 9,650	\$ 9,868	\$ 10,086	\$ 10,304	\$ 10,522	\$ 10,740
Other Professional Services	\$ 200	\$ 56	\$ 1,765	\$ 17,013	\$ 511	\$ 12,391	\$ 6,600	\$ 6,749	\$ 6,898	\$ 7,047	\$ 7,197	\$ 7,346
Miscellaneous	\$ 1,040	\$ 10,494	\$ 277	\$ 168	\$ 125	\$ 293	\$ 1,050	\$ 1,074	\$ 1,097	\$ 1,121	\$ 1,145	\$ 1,169
Postage	\$ 86	\$ 73	\$ 84	\$ 82	\$ 4,914	\$ 5,162	\$ 6,500	\$ 6,647	\$ 6,794	\$ 6,941	\$ 7,088	\$ 7,234
Administration	\$ 45,502	\$ 47,436	\$ 50,450	\$ 54,570	\$ 55,644	\$ 58,881	\$ 62,900	\$ 64,321	\$ 65,743	\$ 67,164	\$ 68,585	\$ 70,007
Repairs and Maintenance	\$ 117,475	\$ 106,509	\$ 112,609	\$ 131,016	\$ 136,139	\$ 164,158	\$ 143,400	\$ 146,640	\$ 149,881	\$ 153,121	\$ 156,362	\$ 159,602
Supplies	\$ 2,783	\$ 2,981	\$ 2,062	\$ 5,061	\$ 2,439	\$ 4,210	\$ 4,250	\$ 4,346	\$ 4,442	\$ 4,538	\$ 4,634	\$ 4,730
Telephone	\$ 1,113	\$ 1,111	\$ 868	\$ 1,243	\$ 603	\$ 216	\$ 850	\$ 1,400	\$ 1,425	\$ 1,450	\$ 1,475	\$ 1,500
Bad Debt Expense	\$ 1,171	\$ 378	\$ 432	\$ -	\$ 265	\$ 956	\$ 1,000	\$ 1,023	\$ 1,045	\$ 1,068	\$ 1,090	\$ 1,113
<b>Total</b>	<b>\$ 598,230</b>	<b>\$ 582,894</b>	<b>\$ 672,509</b>	<b>\$ 715,827</b>	<b>\$ 779,324</b>	<b>\$ 887,120</b>	<b>\$ 914,165</b>	<b>\$ 992,303</b>	<b>\$ 1,011,915</b>	<b>\$ 1,033,528</b>	<b>\$ 1,055,141</b>	<b>\$ 1,076,753</b>
Historic & Projected Customers	<b>793</b>	<b>820</b>	<b>851</b>	<b>873</b>	<b>890</b>	<b>902</b>	<b>923</b>	<b>944</b>	<b>965</b>	<b>986</b>	<b>1,006</b>	<b>1,027</b>
Water Service	\$ 513.84											
Water Samples	\$ 5.96											
Meter Reading	\$ 51.57											
Depreciation	\$ 146.26											
Dues	\$ 4.88											
Insurance	\$ 12.01											
Legal and Accounting	\$ 10.46											
Other Professional Services	\$ 7.15											
Miscellaneous	\$ 1.14											
Postage	\$ 7.04											
Administration	\$ 68.15											
Repairs and Maintenance	\$ 155.36											
Supplies	\$ 4.60											
Telephone	\$ 0.92											
Bad Debt Expense	\$ 1.08											

NUECES WATER SUPPLY CORPORATION

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013*



Nueces Water Supply Corporation  
Annual Financial Report  
for the Years Ended December 31, 2014 and 2013

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*Financial Section*

JOHN WOMACK & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA

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(361) 592-2671  
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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nueces Water Supply Corporation  
P.O. Box 415  
Kingsville, Texas 78364

**Report on the Financial Statements**

We have audited the accompanying financial statements of Nueces Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 Nueces Water Supply Corporation as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



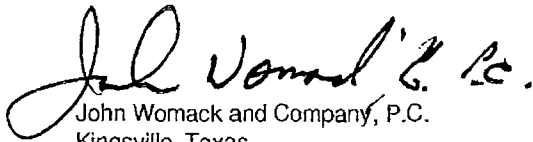
PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

*Other Matters*

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial statements and supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Womack & Co.".

John Womack and Company, P.C.  
Kingsville, Texas  
March 31, 2015

*Basic Financial Statements*

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**EXHIBIT A-1**  
**Page 1 of 2**

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash Equivalents	\$ 1,059,689	\$ 990,313
Accounts receivable - customers	89,475	94,665
Accounts receivable - other	1,060	806
Prepaid expenses	6,431	3,626
Inventory	<u>15,338</u>	<u>22,979</u>
Total Current Assets	<u>1,171,993</u>	<u>1,112,389</u>
<b>Restricted Assets:</b>		
Cash and cash equivalents:		
Membership deposits	<u>77,285</u>	<u>77,261</u>
Total Restricted Assets	<u>77,285</u>	<u>77,261</u>
<b>Property and Equipment</b>		
Utility plant (net)(Note D)	<u>1,503,113</u>	<u>1,459,828</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,752,391</u></u>	<u><u>\$ 2,649,478</u></u>

The accompanying notes are an integral part of this statement.

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**EXHIBIT A-1**  
**Page 2 of 2**

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 109,970	\$ 99,597
Texas Commission on Environmental Quality fees payable	--	3,088
Deposits payable - renters	750	1,360
Total Current Liabilities	<u>110,720</u>	<u>104,045</u>
Liabilities - Restricted:		
Membership deposits	<u>88,200</u>	<u>85,200</u>
Total Liabilities - Restricted	<u>88,200</u>	<u>85,200</u>
TOTAL LIABILITIES	<u>198,920</u>	<u>189,245</u>
<b>MEMBERSHIP EQUITY</b>		
Contributed capital	1,501,182	1,415,370
Retained earnings	<u>1,052,289</u>	<u>1,044,863</u>
TOTAL MEMBERSHIP EQUITY	<u>2,553,471</u>	<u>2,460,233</u>
<b>TOTAL LIABILITIES AND MEMBERSHIP EQUITY</b>	<u>\$ 2,752,391</u>	<u>\$ 2,649,478</u>

The accompanying notes are an integral part of this statement.

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**EXHIBIT A-2**

	December 31, 2014	December 31, 2013
<b>OPERATING REVENUES:</b>		
Water sales	\$ 683,100	\$ 677,111
Other operating income	39,795	39,738
<b>Total Operating Revenues</b>	<b>722,895</b>	<b>716,849</b>
<b>OPERATING EXPENSES:</b>		
Water service	329,378	333,851
Water samples	4,357	3,862
Meter reading	49,564	47,316
Depreciation	103,674	98,387
Dues	3,294	4,252
Insurance	3,848	3,848
Legal and accounting	12,559	12,446
Other professional services	17,013	1,765
Miscellaneous	168	277
Postage	82	84
Administration	54,570	50,450
Repairs and maintenance	131,016	112,609
Supplies	5,061	2,062
Telephone	1,243	868
Bad debt expense	--	432
<b>Total Operating Expenses</b>	<b>715,827</b>	<b>672,509</b>
<b>Net Operating Income</b>	<b>7,068</b>	<b>44,340</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	358	665
<b>Total Other Income (Expenses)</b>	<b>358</b>	<b>665</b>
<b>NET INCOME</b>	<b>\$ 7,426</b>	<b>\$ 45,005</b>
	<b>Retained Earnings</b>	<b>Contributed Capital</b>
Balance, December 31, 2012	\$ 999,858	\$ 1,394,320
Contributed Capital additions, 2013	--	21,050
Net Income, 2013	45,005	--
Balance, December 31, 2013	1,044,863	1,415,370
Contributed Capital additions, 2014	--	85,812
Net Income, 2014	7,426	--
Balance, December 31, 2014	<u>\$ 1,052,289</u>	<u>\$ 1,501,182</u>

The accompanying notes are an integral part of this statement.



**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2014 AND 2013**

**EXHIBIT A-3**

	December 31 2014	December 31 2013
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 730,831	\$ 713,936
Cash Payments to Other Suppliers for Goods and Services	(600,642)	(566,381)
Net Cash Provided (Used) by Operating Activities	<u>130,189</u>	<u>147,555</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or Construction of Capital Assets	(146,959)	(90,623)
Contributed Capital	85,812	21,050
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(61,147)</u>	<u>(69,573)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	358	665
Net Cash Provided (Used) for Investing Activities	<u>358</u>	<u>665</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,400	78,647
Cash and Cash Equivalents at Beginning of Year	1,067,574	988,927
Cash and Cash Equivalents at End of Year	<u>\$ 1,136,974</u>	<u>\$ 1,067,574</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 7,068	\$ 44,340
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	103,674	98,387
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	4,936	(5,513)
Decrease (Increase) in Prepaid Expenses	(2,805)	--
Decrease (Increase) in Inventories	7,641	3,178
Increase (Decrease) in Accounts Payable	6,675	4,563
Increase (Decrease) in Member Deposits	3,000	2,600
Total Adjustments	<u>123,121</u>	<u>103,215</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 130,189</u>	<u>\$ 147,555</u>
 Cash and Cash Equivalents	 \$ 1,059,689	 \$ 990,313
Restricted Cash	77,285	77,261
	<u>\$ 1,136,974</u>	<u>\$ 1,067,574</u>

The accompanying notes are an integral part of this statement.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**A. Nature of Operations and Summary of Significant Accounting Policies**

The Nueces Water Supply Corporation is a member-owned non-profit corporation incorporated pursuant to the provisions of the Texas Revised Annotated, Article 1434A as supplemented by the Texas Non-Profit Corporation Act, Texas Revised Civil Stat. Annotated, Article 1396, for the purpose of furnishing a potable water utility service. Corporation operating policies, rates, tariffs, and regulations are formulated and effected by a Board of Directors elected by members of the Corporation. All profits arising from the operation of such business shall be paid out annually to persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted. No such dividends shall be paid while any indebtedness of the Corporation remains unpaid, and provided also that the Directors of the Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs, and for deficiencies in income necessary to meet debt service costs. For financial statement purposes, the accounting records are maintained on the accrual basis of accounting.

Corporation's By-Laws

The Corporation has adopted by-laws which establishes the make-up of the Board of Directors, establishes the membership voting rights, provides for annual and regular meetings, provides for reserve accounts and establishes the rights of the members and other important regulations of the water system. These by-laws are included by reference herein, as amended from time to time, and are on file for inspection in the Corporation's office.

Authorization of the Corporation

The authorization granted under Chapter 13 of the Texas Water Code grants Nueces Water Supply Corporation the right to provide water utility service within a defined territory. Nueces Water Supply Corporation has Certificate Number 11948. The Territory defined in the Certificate of Convenience and Necessity (CCN) shall be the certificated service area.

Accounting Policies

*(1) Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

*(2) Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt securities with a maturity date within ninety days of the date acquired to be cash equivalents. Management considers investments in public funds investment pools to be cash equivalents due to their high liquidity.

*(3) Accounts Receivable*

Accounts receivables are stated at the amount management expects to collect from outside balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt and a credit to the applicable accounts receivable.

*(4) Inventory*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

*(5) Utility Plant*

The cost of additions to utility plant and their renewals and betterments are capitalized. For financial statement purposes, the Corporation provides for depreciation by use of the straight-line method. The rates are intended to distribute the cost of depreciable properties over their estimated useful lives. Maintenance repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred. Gains and losses on disposition of property and equipment are included in the Statement of Revenues, Expenses, and Changes in Retained Earnings. The cost of capitalized assets are stated at cost or fair market value if contributed. Estimated useful lives are as follows:

Distribution Lines	40 years
Meters and Other	3 years
Engineering	40 years
Furniture and Office Equipment	5 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2014 nor during fiscal year 2013.

*(6) Memberships/Contributed Capital*

Monies paid in as memberships are reflected as membership deposits, since they are refundable when service is terminated. Tap and contributed capital fees, which are collected when each member joins, are recorded at the same time as contributed capital, since they are not refundable once service is established.

*(7) Estimates*

Preparation of the financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

*(8) Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

**B. Cash and Cash Equivalents**

Cash accounts included in the financial statements are maintained at institutions which are covered by the Federal Deposit Insurance Corporation. The depository bank deposits for safekeeping and trust with the Nueces Water Supply Corporation's agent bank pledged securities in an amount sufficient to protect its funds on a day-to-day basis. The pledge of securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. Nueces Water Supply Corporation's cash deposits at December 31, 2014 and 2013, were entirely covered by FDIC insurance or by collateral held by their agent bank. Investments not included in the above depository contract include \$1,008,637 in TexPool. These funds are highly liquid pooled investments and market value closely approximates cost.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to : 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The Corporation's investments in Pools are reported at an amount determined by the fair market value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool

The Corporation has invested approximately 84% of its cash with TexPool. Pursuant to subchapter G of chapter 404 of the Interlocal Cooperation Act (the "Act"), the Comptroller of Public Accounts (the "Comptroller") administers the Texas Local Government Investment Pools (the "TexPool Portfolios") as public funds investment pools through the Texas Safekeeping Trust Company (the "Trust Company"). The Comptroller and the Trust Company have contracted with Federated Investors, Inc. ("Federated"), as administrator and investment manager for the TexPool Portfolios.

The purpose of TexPool is to offer a safe, efficient, and liquid investment alternative to local governments in the State of Texas. As required by the Act, the investment objectives of TexPool in order of priority are 1) preservation and safety of principal, 2) liquidity, and 3) yield. Principal is protected and market and credit risks minimized by investing in a diversified pool of assets of high credit quality. Actual risks are minimized by adequate collateralization and use of delivery versus payment procedures.

Texpool has the following authorized investments -

1. Obligations of the United States, its agencies, or instrumentalities with a maximum final stated maturity limited to 297 days for fixed rate securities and 24 months for variable rate notes.
2. Fully collateralized repurchase agreements or reverse repurchase agreements (i) with defined termination dates, (ii) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage backed securities, (iii) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (iv) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.
3. No-load money market mutual fund that (i) is registered with and regulated by the Securities and Exchange Commission, (ii) provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (iii) maintains a dollar-weighted average stated maturity of 90 days or fewer, and (v) includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

4. TexPool may engage in a securities lending program that complies with the following:
  - a. the value of the securities loaned, including accrued interest, must be fully collateralized by (i) government securities, (ii) irrevocable letters of credit issued by a bank organized under U.S. or state law and continuously rated at least A or its equivalent by at least one NRSRO, or (iii) cash invested in government securities, commercial paper, mutual funds, or investment pools authorized by the Act;
  - b. the loan must be terminable at any time;
  - c. the loan terms must require that the collateral be pledged to the investing entity, held in its name, and deposited with the investing entity or a third party selected and approved by the investing entity;
  - d. the loan must be placed through primary dealers or financial institutions doing business in the state; and
  - e. the loan agreement must have a term of one year or less.

As required by section 2256.009 of the Act, TexPool cannot invest in the following:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations that the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

In addition, TexPool will not invest in derivatives, commercial paper, or certificates of deposit. Diversification limitations govern investments and are applied at the date of purchase.

- \* Up to 100% of TexPool assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes.
- \* Up to 100% of TexPool assets may be invested in repurchase agreements. No more than 25% of TexPool assets may be invested in term repurchase agreements and no more than 5% of TexPool assets may be invested in term repurchase agreements with maturities exceeding 90 days.
- \* Up to 15% of the TexPool assets may be invested in approved money market funds. No more than 10% of TexPool assets may be invested in a single mutual fund.

**Credit Risk:** Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. In general, the lower the credit quality of a security, the higher the yield, all other factors being equal. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager, Federated, to only invest in obligations of the U.S. Government, its agencies, and instrumentalities; repurchase agreements; no-load AAAm money market mutual funds registered with the Securities and Exchange Commission; and securities lending programs.

The credit risk associated with investments in direct obligations of the United States is low. Obligations issued or guaranteed by Federal agencies of government-sponsored enterprises are not direct obligations of the United States and offer more varied credit risk. Because the United States Government is not obligated to provide support to its instrumentalities, TexPool's investment manager will invest in obligations issued by an agency or instrumentality only after analysis that credit risk with respect to the issuer is minimal.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

TexPool's investment manager will also invest in repurchase agreements and reverse repurchase agreements which are documented through the use of a Bond Market Association, formerly the Public Securities Association, approved Master Repurchase Agreement and collateralized by obligations of the United States, its agencies, instrumentalities or other obligations on which the principal and interest are unconditionally guaranteed or insured by the United States. Repurchase agreements and reverse repurchase agreement transactions will only be placed with primary government securities dealers or financial institutions doing business in the State of Texas, and proceeds received under reverse repurchase agreements will be reinvested in securities with the same maturity as the term of the reverse agreement.

**Market Risk:** Market risk is the potential for a decline in market value due to rising interest rates. For example, a bond or other security issued or backed by the United States Government is guaranteed only as to the timely payment of interest and principal; its market price is not guaranteed and will fluctuate in value as interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, then market values fall. If interest rates fall, then market values rise. Also, values typically fluctuate more for longer-term securities than for shorter-term securities.

TexPool's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. TexPool's investment manager will maintain the weighted average maturity of the portfolio at 60 days or less, no fixed rate security will exceed 297 days in maturity, and no variable rate note will exceed 24 months in maturity. Federated is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$0.995 or rises above \$1.005. These limitations are designed to minimize market risk.

#### C. Utility Plant in Service

At December 31, 2014 and 2013, Utility Plant in Service is as follows:

	2014	2013
Distribution lines and equipment	\$ 2,675,731	\$ 2,664,301
Meters and other chattels	489,060	465,035
Engineering costs	151,107	151,107
Office furniture & equipment	41,218	30,423
Easements	25,450	2,450
Construction in Progress	156,580	78,871
Total Utility Plant in Service	3,539,146	3,392,187
Less: Accumulated Depreciation	(2,036,034)	(1,932,359)
Net Utility Plant in Service	\$ 1,503,112	\$ 1,459,828

The Corporation acquires title to water lines in return for agreeing to their maintenance whenever a subdivision enters the Corporation. The cost of these lines are paid by the subdivision to the Corporation as a reimbursement of cost paid by the Corporation. The Corporation then records it as an addition to fixed assets and an increase in contributed capital.

#### D. Management

##### (1) Certificate of Convenience and Necessity

Certificate of Convenience and Necessity (No. 11948) was awarded to the Nueces Water Supply Corporation by the Texas Utility Commission of Texas as requested in Docket No. 6025 in 1987.

##### (2) Management Contract

On January 7, 1985, the Corporation entered into a management contract with the South Texas Water Authority for management and operations of its system. The contract provides for insurance and bonding, reporting, and management's procedures and responsibilities.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

(3) Accounting and Billing

During the normal course of operations, the Nueces Water Supply Corporation remits funds to the South Texas Water Authority for the performance of various services including water purchases, inspections, administration, and repairs and maintenance costs.

For the twelve month periods ended December 31, 2014 and 2013, amounts paid to the South Texas Water Authority for these services totaled \$508,886 and \$527,371, respectively, in the following categories:

	2014	2013
Administration	\$ 54,350	\$ 50,248
Operations	103,505	97,366
Water purchases	329,380	333,851
Repair and maintenance	38,220	45,906
	<u>\$ 525,455</u>	<u>\$ 527,371</u>

E. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(12). Therefore, no provision has been made for income tax.

The Corporation adopted the provisions of FASB ASC 740-10-25, "Income Taxes - Overall - Recognition", which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management has analyzed the Corporation's tax positions taken with respect to all applicable income tax issues for open tax years (2011 through 2014), and has concluded that it has appropriate support for any tax positions taken or expected to be taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

F. Concentration of Risk

All customers of Nueces Water Supply Corporation are located in Nueces County, Texas. At December 31, 2014 and 2013, there were 873 and 851 customers on line, respectively. One customer, LCS Corrections Services, accounted for 23.4% of gallons sold in 2014.

The South Texas Water Authority is the sole source of water obtained by the Corporation for sale to its customers. The Corporation's water purchase contract with South Texas Water Authority expired on September 30, 2012. South Texas Water Authority continued to provide services to all its customers, and a new one year contract was approved on March 2, 2015 effective from that date.

G. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through March 31, 2015, which is the date of the issuance of the financial statements. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

H. Budgets

A budget is prepared using the accrual basis of accounting. The budget is approved by the Board of Directors, and used as a management tool and as a basis in determining the price of water charged to member users of the Corporation.

*Supplementary Information*



# **NUECES WATER SUPPLY CORPORATION**

EXHIBIT B-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE  
ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014		Variance	2013
	Budget	Actual	Favorable (Unfavorable)	Actual
OPERATING REVENUES:				
Water sales	\$ 685,318	\$ 683,100	\$ (2,218)	\$ 677,111
Other operating income	36,345	39,795	3,450	39,738
Total Operating Revenues	721,663	722,895	1,232	716,849
OPERATING EXPENSES:				
Water service	342,687	329,378	13,309	333,851
Water samples	4,250	4,357	(107)	3,862
Meter reading	48,850	49,564	(714)	47,316
Depreciation	101,888	103,674	(1,786)	98,387
Dues	3,295	3,294	1	4,252
Insurance	3,938	3,848	90	3,848
Legal and accounting	16,150	12,559	3,591	12,446
Other professional services	20,855	17,013	3,842	1,765
Miscellaneous	300	207	93	277
Postage	100	82	18	84
Administration	54,103	54,570	(467)	50,450
Repairs and maintenance	123,600	131,016	(7,416)	112,609
Supplies	4,250	5,061	(811)	2,062
Telephone	1,000	1,243	(243)	868
Bad debt expense	500	(39)	539	432
Total Operating Expenses	726,766	715,827	10,939	672,509
Net Operating Income	(5,103)	7,068	12,171	44,340
OTHER INCOME (EXPENSES)				
Interest income	260	358	98	665
Total Other Income (Expenses)	260	358	98	665
NET INCOME	(4,843)	7,426	12,269	45,005
Retained earnings/fund balances, January 1	1,044,863	1,044,863	--	999,858
Retained earnings/fund balances, December 31	\$ 1,040,020	\$ 1,052,289	\$ 12,269	\$ 1,044,863

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF INSURANCE COVERAGE****FOR YEAR ENDED DECEMBER 31, 2014****EXHIBIT B-2**

<u>Carrier</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Policy Period</u>
AIA Insurance	General Liability	\$1,000,000/3,000,000	12/31/14
AAIC	Property	\$224,244	through 12/31/15
AIA Insurance	Director's & Officer's	\$1,000,000/3,000,000	12/31/14
AAIC			through 12/31/15
Carlisle Ins.	Surety Bond	\$25,000	5/10/14
Western Surety	Secretary/Treasurer position		through 5/10/15

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF WATER PURCHASES AND SALES****LAST TEN FISCAL YEARS****EXHIBIT B-3**

<u>Fiscal Year Ended</u>	<u>Gallons Purchased</u>	<u>Gallons Sold</u>	<u>Gallons Corporation Usage, Losses, Etc.</u>	<u>Purchased Not Sold</u>
12/31/05	89,860,500	82,446,990	7,413,510	8.25%
12/31/06	92,754,960	85,333,670	7,421,290	8.00%
12/31/07	80,016,610	73,315,040	6,701,570	8.38%
12/31/08	105,318,930	85,282,980	20,035,950	19.02%
12/31/09	114,765,760	100,239,800	14,525,960	12.66%
12/31/10	101,368,516	79,161,130	22,207,386	21.91%
12/31/11	121,161,490	110,538,280	10,623,210	8.77%
12/31/12	117,617,670	108,741,240	8,876,430	7.55%
12/31/13	149,668,470	135,062,750	14,605,720	9.76%
12/31/14	136,606,240	126,052,230	10,554,010	7.73%

**Standard and Non-Standard Service Availability Charges**

The minimum monthly charge for meter water service is as follows:

5/8" meter - \$28.64 with no water

3/4" meter - \$32.92 with no water

1" meter - \$65.84 with no water

2" meter - \$143.00 with no water

Customers on line: 873

**SCHEDULE OF FDIC INSURANCE AND PLEDGED SECURITIES  
FOR YEAR ENDED DECEMBER 31, 2014**

FDIC Insurance	\$ 250,000	Demand Accounts
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There were no pledged securities at December 31, 2014.

# NUECES WATER SUPPLY CORPORATION

EXHIBIT B-5

## SCHEDULE OF FIXED ASSETS

FOR YEAR ENDED DECEMBER 31, 2014 .

Account No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
153	Dist. Lines	40	1,434	0	S-L	\$ 20	\$ 229
153	Dist. Lines	40	2,340	0	S-L	36	441
153	Dist. Lines	40	21,324	0	S-L	348	4,530
153	Dist. Lines	40	1,388,325	0	S-L	23,302	302,931
153	Dist. Lines	40	67,313	0	S-L	1,683	30,291
153	Dist. Lines	40	5,442	0	S-L	136	2,539
153	Dist. Lines	40	402	0	S-L	10	190
153	Dist. Lines	40	10,498	0	S-L	262	5,153
153	Dist. Lines	40	3,959	0	S-L	99	2,129
153	Dist. Lines	40	2,305	0	S-L	58	1,151
153	Dist. Lines	40	12,682	0	S-L	317	6,723
153	Dist. Lines	40	5,419	0	S-L	135	2,876
153	Dist. Lines	40	1,976	0	S-L	40	788
153	Dist. Lines	40	507	0	S-L	13	279
153	Dist. Lines	40	280,248	0	S-L	7,105	163,243
153	Dist. Lines	40	2,817	0	S-L	70	1,719
153	Dist. Lines	40	1,478	0	S-L	37	936
153	Dist. Lines	40	942	0	S-L	24	599
153	Dist. Lines	40	1,821	0	S-L	46	1,172
153	Dist. Lines	40	62,006	0	S-L	1,550	39,846
153	Dist. Lines	40	113,006	0	S-L	2,825	71,806

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF FIXED ASSETS**

FOR YEAR ENDED DECEMBER 31, 2014

**EXHIBIT B-5**

(continued)

Account No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
153	Dist. Lines	40	165,100	0	S-L	4,128	106,971
153	Dist. Lines	40	26,746	0	S-L	669	17,723
153	Dist. Lines	40	36,080	0	S-L	902	23,881
153	Dist. Lines	40	1,580	0	S-L	39	1,056
153	Dist. Lines	40	11,764	0	S-L	294	8,105
153	Dist. Lines	40	4,603	0	S-L	115	3,149
153	Dist. Lines	40	2,034	0	S-L	51	1,487
153	Dist. Lines	40	2,151	0	S-L	54	1,586
153	Dist. Lines	40	38,530	0	S-L	963	28,978
153	Dist. Lines	40	1,967	0	S-L	49	1,499
153	Dist. Lines	40	3,628	0	S-L	91	2,780
153	Dist. Lines	40	28,740	0	S-L	719	22,153
153	Dist. Lines	40	2,292	0	S-L	57	1,780
153	Dist. Lines	40	17,311	0	S-L	433	13,751
153	Dist. Lines	40	6,032	0	S-L	151	4,948
153	Dist. Lines	40	3,182	0	S-L	80	2,724
153	Dist. Lines	40	313,716	0	S-L	7,843	273,195
153	Dist. Lines	40	1,618	0	S-L	40	1,393
153	Dist. Lines	40	6,203	0	S-L	155	5,647
153	Dist. Lines	40	4,779	0	S-L	119	4,504
153	Dist. Lines	40	6,433	0	S-L	107	6,326
153	Dist. Lines	40	4,997	0	S-L	0	4,997

# NUECES WATER SUPPLY CORPORATION

## SCHEDULE OF FIXED ASSETS

FOR YEAR ENDED DECEMBER 31, 2014

EXHIBIT B-5

(continued)

Account No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
160	Meters/Other	3	1,716	0	S-L	0	0
160	Meters/Other	3	9,386	0	S-L	0	0
160	Meters/Other	3	51	0	S-L	0	0
160	Meters/Other	3	14,659	0	S-L	0	0
160	Meters/Other	3	9,810	0	S-L	0	0
160	Meters/Other	3	1,338	0	S-L	0	0
160	Meters/Other	3	40,036	0	S-L	0	0
160	Meters/Other	3	8,199	0	S-L	0	0
160	Meters/Other	3	1,951	0	S-L	0	0
160	Meters/Other	3	11,290	0	S-L	0	0
160	Meters/Other	3	10,103	0	S-L	0	0
160	Meters/Other	3	8,688	0	S-L	0	0
160	Meters/Other	3	11,354	0	S-L	0	0
160	Meters/Other	3	11,748	0	S-L	0	0
160	Meters/Other	3	8,492	0	S-L	0	0
160	Meters/Other	3	10,025	0	S-L	0	0
160	Meters/Other	3	11,388	0	S-L	0	0
160	Meters/Other	3	20,219	0	S-L	0	0
160	Meters/Other	3	5,359	0	S-L	0	0
160	Meters/Other	10	151,511	0	S-L	15,151	41,696
160	Meters/Other	10	27,500	0	S-L	2,750	7,563
160	Meters/Other	10	13,777	0	S-L	0	0
160	Meters/Other	10	10,660	0	S-L	0	0

**NUECES WATER SUPPLY CORPORATION**  
**SCHEDULE OF FIXED ASSETS**  
**FOR YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-5**  
**(continued)**

Account No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
160	Meters/Other	10	8,644	0	S-L	0	0
160	Meters/Other	10	13,742	0	S-L	2,611	0
160	Meters/Other	10	943	0	S-L	0	0
160	Meters/Other	10	16,894	0	S-L	5,631	2,890
160	Meters/Other	10	25,552	0	S-L	8,517	12,836
160	Meters/Other	10	24,025	0	S-L	3,878	20,147
167	Engineering	40	46,589	0	S-L	778	10,112
167	Engineering	40	1,702	0	S-L	50	1,017
167	Engineering	40	14,327	0	S-L	358	6,469
167	Engineering	40	4,489	0	S-L	112	2,507
167	Engineering	10	29,000	0	S-L	2,900	242
167	Engineering	10	55,000	0	S-L	5,500	26,583
180	Easements	0	25,450	0	N/A	0	25,450
172	Office Furniture	5	2,814	0	S-L	0	0
172	Office Furniture	5	5,116	0	S-L	0	0
172	Office Furniture	5	107	0	S-L	0	0
172	Office Furniture	5	370	0	S-L	0	0
172	Office Furniture	5	19,994	0	S-L	0	0
172	Office Furniture	5	377	0	S-L	0	0
172	Office Furniture	5	396	0	S-L	13	0
172	Office Furniture	5	1,250	0	S-L	251	21



# **NUECES WATER SUPPLY CORPORATION**

## **SCHEDULE OF FIXED ASSETS**

**FOR YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-5**

**(continued)**

Account No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
172	Office Furniture	5	10,795	0	S-L	0	10,795
185	Const. in Progress		156,580	0	N/A	0	156,580
			<u>\$ 3,539,146</u>			<u>\$ 103,675</u>	<u>\$ 1,503,112</u>

NUECES WATER SUPPLY CORPORATION

*ANNUAL FINANCIAL REPORT*

*FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014*

Nueces Water Supply Corporation  
Annual Financial Report  
for the Years Ended December 31, 2015 and 2014

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*Financial Section*

JOHN WOMACK & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nueces Water Supply Corporation  
P.O. Box 415  
Kingsville, Texas 78364

**Report on the Financial Statements**

We have audited the accompanying financial statements of Nueces Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nueces Water Supply Corporation as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years 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 financial statements and supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are 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.

Respectfully submitted,

*John Womack & Co., P.C.*

John Womack and Company, P.C.  
Kingsville, Texas  
April 6, 2016

*Basic Financial Statements*

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**EXHIBIT A-1**  
**Page 1 of 2**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash Equivalents	\$ 1,269,861 ✓	\$ 1,059,689
Accounts receivable - customers	79,935 ✓	89,475
Accounts receivable - other	1,368 ✓	1,060
Accrued interest receivable	147	--
Prepaid expenses	5,428	6,431
Inventory	<u>19,830</u>	<u>15,338</u>
Total Current Assets	<u>1,376,569</u>	<u>1,171,993</u>
Restricted Assets:		
Cash and cash equivalents:		
Membership deposits	<u>77,345</u>	<u>77,285</u>
Total Restricted Assets	<u>77,345</u>	<u>77,285</u>
Property and Equipment		
Utility plant (net)	<u>1,536,716</u>	<u>1,503,113</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,990,630</u></u>	<u><u>\$ 2,752,391</u></u>

The accompanying notes are an integral part of this statement.



**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**EXHIBIT A-1**  
Page 2 of 2

	December 31, 2015	December 31, 2014
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 62,811	\$ 109,970
Texas Commission on Environmental Quality fees payable	3,365	--
Deposits payable - renters	750	750
Total Current Liabilities	<u>66,926</u>	<u>110,720</u>
Liabilities - Restricted:		
Membership deposits	<u>89,400</u>	<u>88,200</u>
Total Liabilities - Restricted	<u>89,400</u>	<u>88,200</u>
TOTAL LIABILITIES	<u>156,326</u>	<u>198,920</u>
<b>MEMBERSHIP EQUITY</b>		
Contributed capital	1,527,668	1,501,182
Retained earnings	<u>1,306,636</u>	<u>1,052,289</u>
TOTAL MEMBERSHIP EQUITY	<u>2,834,304</u>	<u>2,553,471</u>
<b>TOTAL LIABILITIES AND MEMBERSHIP EQUITY</b>	<u>\$ 2,990,630</u>	<u>\$ 2,752,391</u>

The accompanying notes are an integral part of this statement.

# NUECES WATER SUPPLY CORPORATION

## STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

EXHIBIT A-2

	December 31, 2015	December 31, 2014
<b>OPERATING REVENUES:</b>		
Water sales	\$ 771,851	\$ 683,100
Intergovernmental revenue	216,865	--
Other operating income	43,976	39,795
<b>Total Operating Revenues</b>	<b>1,032,692</b>	<b>722,895</b>
<b>OPERATING EXPENSES:</b>		
Water service	395,442	329,378
Water samples	4,129	4,357
Meter reading	41,487	49,564
Depreciation	115,393	103,674
Dues	4,188	3,294
Insurance	4,085	3,848
Legal and accounting	13,960	12,559
Other professional services	511	17,013
Miscellaneous	125	168
Postage	4,914	82
Administration	55,644	54,570
Repairs and maintenance	136,139	131,016
Supplies	2,439	5,061
Telephone	603	1,243
Bad debt expense	265	--
<b>Total Operating Expenses</b>	<b>779,324</b>	<b>715,827</b>
<b>Net Operating Income</b>	<b>253,368</b>	<b>7,068</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	980	358
<b>Total Other Income (Expenses)</b>	<b>980</b>	<b>358</b>
<b>NET INCOME</b>	<b>\$ 254,348</b>	<b>\$ 7,426</b>
	<b>Retained Earnings</b>	<b>Contributed Capital</b>
Balance, December 31, 2013	\$ 1,044,862	\$ 1,415,370
Contributed Capital additions, 2014	--	85,812
Net Income, 2014	7,426	--
<b>Balance, December 31, 2014</b>	<b>1,052,288</b>	<b>1,501,182</b>
Contributed Capital additions, 2015	--	26,486
Net Income, 2015	254,348	--
<b>Balance, December 31, 2015</b>	<b>\$ 1,306,636</b>	<b>\$ 1,527,668</b>

The accompanying notes are an integral part of this statement.

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2015 AND 2014**

**EXHIBIT A-3**

	December 31 2015	December 31 2014
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 826,112	\$ 730,831
Cash Received from Other Governments	216,865	--
Cash Payments to Other Suppliers for Goods and Services	(711,214)	(600,642)
Net Cash Provided (Used) by Operating Activities	<u>331,763</u>	<u>130,189</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or Construction of Capital Assets	(148,997)	(146,959)
Contributed Capital	26,486	85,812
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(122,511)</u>	<u>(61,147)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	980	358
Net Cash Provided (Used) for Investing Activities	<u>980</u>	<u>358</u>
Net Increase (Decrease) in Cash and Cash Equivalents	210,232	69,400
Cash and Cash Equivalents at Beginning of Year	1,136,974	1,067,574
Cash and Cash Equivalents at End of Year	<u>\$ 1,347,206</u>	<u>\$ 1,136,974</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 253,368	\$ 7,068
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	115,393	103,674
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	9,085	4,936
Decrease (Increase) in Prepaid Expenses	1,003	(2,805)
Decrease (Increase) in Inventories	(4,492)	7,641
Increase (Decrease) in Accounts Payable	(43,794)	6,675
Increase (Decrease) in Member Deposits	1,200	3,000
Total Adjustments	<u>78,395</u>	<u>123,121</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 331,763</u>	<u>\$ 130,189</u>
 Cash and Cash Equivalents	 \$ 1,269,861	 \$ 1,059,689
Restricted Cash	77,345	77,285
	<u>\$ 1,347,206</u>	<u>\$ 1,136,974</u>

The accompanying notes are an integral part of this statement.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 AND 2014

#### A. Nature of Operations and Summary of Significant Accounting Policies

The Nueces Water Supply Corporation is a member-owned non-profit corporation incorporated pursuant to the provisions of the Texas Revised Annotated, Article 1434A as supplemented by the Texas Non-Profit Corporation Act, Texas Revised Civil Stat. Annotated, Article 1396, for the purpose of furnishing a potable water utility service. Corporation operating policies, rates, tariffs, and regulations are formulated and effected by a Board of Directors elected by members of the Corporation. All profits arising from the operation of such business shall be paid out annually to persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted. No such dividends shall be paid while any indebtedness of the Corporation remains unpaid, and provided also that the Directors of the Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs, and for deficiencies in income necessary to meet debt service costs. For financial statement purposes, the accounting records are maintained on the accrual basis of accounting.

##### Corporation's By-Laws

The Corporation has adopted by-laws which establishes the make-up of the Board of Directors, establishes the membership voting rights, provides for annual and regular meetings, provides for reserve accounts and establishes the rights of the members and other important regulations of the water system. These by-laws are included by reference herein, as amended from time to time, and are on file for inspection in the Corporation's office.

##### Authorization of the Corporation

The authorization granted under Chapter 13 of the Texas Water Code grants Nueces Water Supply Corporation the right to provide water utility service within a defined territory. Nueces Water Supply Corporation has Certificate Number 11948. The Territory defined in the Certificate of Convenience and Necessity (CCN) shall be the certificated service area.

##### Accounting Policies

###### *(1) Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

###### *(2) Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt securities with a maturity date within ninety days of the date acquired to be cash equivalents. Management considers investments in public funds investment pools to be cash equivalents due to their high liquidity.

###### *(3) Accounts Receivable*

Accounts receivables are stated at the amount management expects to collect from outside balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt and a credit to the applicable accounts receivable.

###### *(4) Inventory*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 AND 2014

#### (5) *Utility Plant*

The cost of additions to utility plant and their renewals and betterments are capitalized. The Corporation has not adopted a capitalization threshold policy. For financial statement purposes, the Corporation provides for depreciation by use of the straight-line method. The rates are intended to distribute the cost of depreciable properties over their estimated useful lives. Maintenance repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred. Gains and losses on disposition of property and equipment are included in the Statement of Activities. The cost of capitalized assets are stated at cost or fair market value if contributed. Estimated useful lives are as follows:

Distribution Lines	40 years
Meters and Other	3 years
Engineering	40 years
Furniture and Office Equipment	5 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2015 nor during fiscal year 2014.

#### (6) *Memberships/Contributed Capital*

Monies paid in as memberships are reflected as membership deposits, since they are refundable when service is terminated. Tap and contributed capital fees, which are collected when each member joins, are recorded at the same time as contributed capital, since they are not refundable once service is established.

#### (7) *Estimates*

Preparation of the financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

### B. Cash and Cash Equivalents

Cash accounts included in the financial statements are maintained at institutions which are covered by the Federal Deposit Insurance Corporation. The depository bank deposits for safekeeping and trust with the Nueces Water Supply Corporation's agent bank pledged securities in an amount sufficient to protect its funds on a day-to-day basis. The pledge of securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. Nueces Water Supply Corporation's cash deposits at December 31, 2015 and 2014, were entirely covered by FDIC insurance or by collateral held by their agent bank. Investments not included in the above depository contract include \$1,009,410 in TexPool, which is made up of highly liquid pooled investments whose market value closely approximates cost, and a \$250,000 Certificate of Deposit, covered by FDIC, and maturing November, 2016.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 AND 2014

#### Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to : 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The Corporation's investments in Pools are reported at an amount determined by the fair market value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### TexPool

The Corporation has invested approximately 75% of its cash with TexPool. Pursuant to subchapter G of chapter 404 of the Interlocal Cooperation Act (the "Act"), the Comptroller of Public Accounts (the "Comptroller") administers the Texas Local Government Investment Pools (the "TexPool Portfolios") as public funds investment pools through the Texas Safekeeping Trust Company (the "Trust Company"). The Comptroller and the Trust Company have contracted with Federated Investors, Inc. ("Federated"), as administrator and investment manager for the TexPool Portfolios.

The purpose of TexPool is to offer a safe, efficient, and liquid investment alternative to local governments in the State of Texas. As required by the Act, the investment objectives of TexPool in order of priority are 1) preservation and safety of principal, 2) liquidity, and 3) yield. Principal is protected and market and credit risks minimized by investing in a diversified pool of assets of high credit quality. Actual risks are minimized by adequate collateralization and use of delivery versus payment procedures.

Texpool has the following authorized investments -

1. Obligations of the United States, its agencies, or instrumentalities with a maximum final stated maturity limited to 297 days for fixed rate securities and 24 months for variable rate notes.
2. Fully collateralized repurchase agreements or reverse repurchase agreements (i) with defined termination dates, (ii) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage backed securities, (iii) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (iv) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.
3. No-load money market mutual fund that (i) is registered with and regulated by the Securities and Exchange Commission, (ii) provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (iii) maintains a dollar-weighted average stated maturity of 90 days or fewer, and (iv) includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 AND 2014

4. TexPool may engage in a securities lending program that complies with the following:
  - a. the value of the securities loaned, including accrued interest, must be fully collateralized by (i) government securities, (ii) irrevocable letters of credit issued by a bank organized under U.S. or state law and continuously rated at least A or its equivalent by at least one NRSRO, or (iii) cash invested in government securities, commercial paper, mutual funds, or investment pools authorized by the Act;
  - b. the loan must be terminable at any time;
  - c. the loan terms must require that the collateral be pledged to the investing entity, held in its name, and deposited with the investing entity or a third party selected and approved by the investing entity;
  - d. the loan must be placed through primary dealers or financial institutions doing business in the state; and
  - e. the loan agreement must have a term of one year or less.

As required by section 2256.009 of the Act, TexPool cannot invest in the following:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations that the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

In addition, TexPool will not invest in derivatives, commercial paper, or certificates of deposit. Diversification limitations govern investments and are applied at the date of purchase.

- \* Up to 100% of TexPool assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes.
- \* Up to 100% of TexPool assets may be invested in repurchase agreements. No more than 25% of TexPool assets may be invested in term repurchase agreements and no more than 5% of TexPool assets may be invested in term repurchase agreements with maturities exceeding 90 days.
- \* Up to 15% of the TexPool assets may be invested in approved money market funds. No more than 10% of TexPool assets may be invested in a single mutual fund.

**Credit Risk:** Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. In general, the lower the credit quality of a security, the higher the yield, all other factors being equal. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager, Federated, to only invest in obligations of the U.S. Government, its agencies, and instrumentalities; repurchase agreements; no-load AAAm money market mutual funds registered with the Securities and Exchange Commission; and securities lending programs.

The credit risk associated with investments in direct obligations of the United States is low. Obligations issued or guaranteed by Federal agencies of government-sponsored enterprises are not direct obligations of the United States and offer more varied credit risk. Because the United States Government is not obligated to provide support to its instrumentalities, TexPool's investment manager will invest in obligations issued by an agency or instrumentality only after analysis that credit risk with respect to the issuer is minimal.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015 AND 2014**

TexPool's investment manager will also invest in repurchase agreements and reverse repurchase agreements which are documented through the use of a Bond Market Association, formerly the Public Securities Association, approved Master Repurchase Agreement and collateralized by obligations of the United States, its agencies, instrumentalities or other obligations on which the principal and interest are unconditionally guaranteed or insured by the United States. Repurchase agreements and reverse repurchase agreement transactions will only be placed with primary government securities dealers or financial institutions doing business in the State of Texas, and proceeds received under reverse repurchase agreements will be reinvested in securities with the same maturity as the term of the reverse agreement.

**Market Risk:** Market risk is the potential for a decline in market value due to rising interest rates. For example, a bond or other security issued or backed by the United States Government is guaranteed only as to the timely payment of interest and principal; its market price is not guaranteed and will fluctuate in value as interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, then market values fall. If interest rates fall, then market values rise. Also, values typically fluctuate more for longer-term securities than for shorter-term securities.

TexPool's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. TexPool's investment manager will maintain the weighted average maturity of the portfolio at 60 days or less, no fixed rate security will exceed 297 days in maturity, and no variable rate note will exceed 24 months in maturity. Federated is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$0.995 or rises above \$1.005. These limitations are designed to minimize market risk.

**C. Utility Plant in Service**

At December 31, 2015 and 2014, Utility Plant in Service is as follows:

	2015	2014
Distribution lines and equipment	\$ 2,753,967	\$ 2,675,731
Meters and other chattels	503,624	489,060
Engineering costs	291,295	151,107
Office furniture & equipment	53,306	41,218
Easements	25,450	25,450
Construction in Progress	60,500	156,580
Total Utility Plant in Service	3,688,142	3,539,146
Less: Accumulated Depreciation	(2,151,427)	(2,036,034)
Net Utility Plant in Service	\$ 1,536,715	\$ 1,503,112

The Corporation acquires title to water lines in return for agreeing to their maintenance whenever a subdivision enters the Corporation. The cost of these lines are paid by the subdivision to the Corporation as a reimbursement of cost paid by the Corporation. The Corporation then records it as an addition to fixed assets and an increase in contributed capital.

**D. Management**

**(1) Certificate of Convenience and Necessity**

Certificate of Convenience and Necessity (No. 11948) was awarded to the Nueces Water Supply Corporation by the Texas Utility Commission of Texas as requested in Docket No. 6025 in 1987.

**(2) Management Contract**

On January 7, 1985, the Corporation entered into a management contract with the South Texas Water Authority for management and operations of its system. The contract provides for insurance and bonding, reporting, and management's procedures and responsibilities.



## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 AND 2014

#### (3) Accounting and Billing

During the normal course of operations, the Nueces Water Supply Corporation remits funds to the South Texas Water Authority for the performance of various services including water purchases, inspections, administration, and repairs and maintenance costs.

For the twelve month periods ended December 31, 2015 and 2014, amounts paid to the South Texas Water Authority for these services totaled \$582,074 and \$508,886, respectively, in the following categories:

	2015	2014
Administration	\$ 55,644	\$ 54,350
Operations	55,640	53,942
Water purchases	395,441	329,380
Repair and maintenance	75,349	71,214
	<u>\$ 582,074</u>	<u>\$ 508,886</u>

#### E. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(12). Therefore, no provision has been made for income tax.

The Corporation adopted the provisions of FASB ASC 740-10-25, "Income Taxes - Overall - Recognition", which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management has analyzed the Corporation's tax positions taken with respect to all applicable income tax issues for open tax years (2012 through 2015), and has concluded that it has appropriate support for any tax positions taken or expected to be taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

#### F. Concentration of Risk

All customers of Nueces Water Supply Corporation are located in Nueces County, Texas. At December 31, 2015 and 2014, there were 890 and 873 customers on line, respectively. One customer, LCS Corrections Services, accounted for 25.24% of gallons sold in 2015.

The South Texas Water Authority is the sole source of water obtained by the Corporation for sale to its customers. The Corporation's water purchase contract with South Texas Water Authority was approved in June, 2015, effective on that date for 20 years.

#### G. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 6, 2016, which is the date of the issuance of the financial statements. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

#### H. Budgets

A budget is prepared using the accrual basis of accounting. The budget is approved by the Board of Directors, and used as a management tool and as a basis in determining the price of water charged to member users of the Corporation.

*Supplementary Information*

# NUECES WATER SUPPLY CORPORATION

EXHIBIT B-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE  
ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Variance	2014
	Budget	Actual	Favorable (Unfavorable)	Actual
OPERATING REVENUES:				
Water sales	\$ 714,110	\$ 771,851	\$ 57,741	\$ 683,100
Other operating income	257,090	260,841	3,751	39,795
Total Operating Revenues	971,200	1,032,692	61,492	722,895
OPERATING EXPENSES:				
Water service	406,078	395,442	10,636	329,378
Water samples	5,500	4,129	1,371	4,357
Meter reading	44,720	41,487	3,233	49,564
Depreciation	121,200	115,393	5,807	103,674
Dues	3,267	4,188	(921)	3,294
Insurance	11,088	4,085	7,003	3,848
Legal and accounting	15,150	13,960	1,190	12,559
Other professional services	725	511	214	17,013
Miscellaneous	200	125	75	168
Postage	5,250	4,914	336	82
Administration	57,055	55,644	1,411	54,570
Repairs and maintenance	127,150	136,139	(8,989)	131,016
Supplies	3,500	2,439	1,061	5,061
Telephone	1,000	603	397	1,243
Bad debt expense	750	265	485	--
Total Operating Expenses	802,633	779,324	23,309	715,827
Net Operating Income	168,567	253,368	84,801	7,068
OTHER INCOME (EXPENSES)				
Interest income	677	980	303	358
Total Other Income (Expenses)	677	980	303	358
NET INCOME	169,244	254,348	85,104	7,426
Retained earnings/fund balances, January 1	1,052,288	1,052,288	--	1,044,862
Retained earnings/fund balances, December 31	\$ 1,221,532	\$ 1,306,636	\$ 85,104	\$ 1,052,288

**NUECES WATER SUPPLY CORPORATION**

EXHIBIT B-2

*SCHEDULE OF INSURANCE COVERAGE**FOR THE YEAR ENDED DECEMBER 31, 2015*

<u>Carrier</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Policy Period</u>
AIA Insurance AAIC	General Liability Property	\$1,000,000/3,000,000 \$247,744	12/31/2015 through 12/31/2016
AIA Insurance AAIC	Director's & Officer's	\$1,000,000/3,000,000	12/31/2015 through 12/31/2016
Carlisle Ins. Western Surety	Surety Bond Secretary/Treasurer Position	\$25,000	5/10/2015 through 5/10/2016

**NUECES WATER SUPPLY CORPORATION****EXHIBIT B-3****SCHEDULE OF WATER PURCHASES AND SALES****LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended</u>	<u>Gallons Purchased</u>	<u>Gallons Sold</u>	<u>Gallons Corporation Usage, Losses, Etc.</u>	<u>Purchased Not Sold</u>
12/31/2006	92,754,960	85,333,670	7,421,290	8.00%
12/31/2007	80,016,610	73,315,040	6,701,570	8.38%
12/31/2008	105,318,930	85,282,980	20,035,950	19.02%
12/31/2009	114,765,760	100,239,800	14,525,960	12.66%
12/31/2010	101,368,516	79,161,130	22,207,386	21.91%
12/31/2011	121,161,490	110,538,280	10,623,210	8.77%
12/31/2012	117,617,670	108,741,240	8,876,430	7.55%
12/31/2013	149,668,470	135,062,750	14,605,720	9.76%
12/31/2014	136,606,240	126,052,230	10,554,010	7.73%
12/31/2015	142,701,783	141,615,010	1,086,773	0.76%

**Standard and Non-Standard Service Availability Charges**

The minimum monthly charge for meter water service is as follows:

5/8" meter - \$29.65 with no water

3/4" meter - \$34.43 with no water

1" meter - \$68.35 with no water

1 1/2" meter - \$109.00 with no water

2" meter - \$151.00 with no water

Customers on line: 890

## EXHIBIT B-4

FDIC Insurance

\$ 250,000

## Demand Accounts

There were no pledged securities at December 31, 2015.

# **NUECES WATER SUPPLY CORPORATION**

**EXHIBIT B-5**

## **SCHEDULE OF FIXED ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
153	Dist. Lines	40	1,434	0	S-L	20	210
153	Dist. Lines	40	2,340	0	S-L	36	406
153	Dist. Lines	40	21,324	0	S-L	348	4,181
153	Dist. Lines	40	1,388,325	0	S-L	23,302	279,629
153	Dist. Lines	40	67,313	0	S-L	1,683	28,608
153	Dist. Lines	40	5,442	0	S-L	136	2,403
153	Dist. Lines	40	402	0	S-L	10	180
153	Dist. Lines	40	10,498	0	S-L	262	4,891
153	Dist. Lines	40	3,959	0	S-L	99	2,030
153	Dist. Lines	40	2,305	0	S-L	58	1,093
153	Dist. Lines	40	12,682	0	S-L	317	6,406
153	Dist. Lines	40	5,419	0	S-L	135	2,740
153	Dist. Lines	40	1,976	0	S-L	40	749
153	Dist. Lines	40	507	0	S-L	13	266
153	Dist. Lines	40	280,248	0	S-L	7,105	156,138
153	Dist. Lines	40	2,817	0	S-L	70	1,648
153	Dist. Lines	40	1,478	0	S-L	37	899
153	Dist. Lines	40	942	0	S-L	24	575

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF FIXED ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2015

**EXHIBIT B-5**  
(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
153	Dist. Lines	40	1,821	0	S-L	46	1,126
153	Dist. Lines	40	62,006	0	S-L	1,550	38,296
153	Dist. Lines	40	113,006	0	S-L	2,825	68,981
153	Dist. Lines	40	165,100	0	S-L	4,128	102,844
153	Dist. Lines	40	26,746	0	S-L	669	17,055
153	Dist. Lines	40	36,080	0	S-L	902	22,979
153	Dist. Lines	40	1,580	0	S-L	39	1,016
153	Dist. Lines	40	11,764	0	S-L	294	7,811
153	Dist. Lines	40	4,603	0	S-L	115	3,034
153	Dist. Lines	40	2,034	0	S-L	51	1,436
153	Dist. Lines	40	2,151	0	S-L	54	1,533
153	Dist. Lines	40	38,530	0	S-L	963	28,015
153	Dist. Lines	40	1,967	0	S-L	49	1,450
153	Dist. Lines	40	3,628	0	S-L	91	2,690
153	Dist. Lines	40	28,740	0	S-L	719	21,435
153	Dist. Lines	40	2,292	0	S-L	57	1,723
153	Dist. Lines	40	17,311	0	S-L	433	13,318
153	Dist. Lines	40	6,032	0	S-L	151	4,797



# **NUECES WATER SUPPLY CORPORATION**

## **SCHEDULE OF FIXED ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT B-5

(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
153	Dist. Lines	40	3,182	0	S-L	80	2,645
153	Dist. Lines	40	313,716	0	S-L	7,843	265,352
153	Dist. Lines	40	1,618	0	S-L	40	1,352
153	Dist. Lines	40	6,203	0	S-L	155	5,492
153	Dist. Lines	40	4,779	0	S-L	119	4,385
153	Dist. Lines	40	6,433	0	S-L	322	6,004
153	Dist. Lines	40	30,673	0	S-L	895	29,778
153	Dist. Lines	40	52,560	0	S-L	1,752	50,808
160	Meters/Other	3	1,716	0	S-L	-	-
160	Meters/Other	3	9,386	0	S-L	-	-
160	Meters/Other	3	51	0	S-L	-	-
160	Meters/Other	3	14,659	0	S-L	-	-
160	Meters/Other	3	9,810	0	S-L	-	-
160	Meters/Other	3	1,338	0	S-L	-	-
160	Meters/Other	3	40,036	0	S-L	-	-
160	Meters/Other	3	8,199	0	S-L	-	-
160	Meters/Other	3	1,951	0	S-L	-	-
160	Meters/Other	3	11,290	0	S-L	-	-

# **NUECES WATER SUPPLY CORPORATION**

## **SCHEDULE OF FIXED ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT B-5

(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
160	Meters/Other	3	10,103	0	S-L	-	-
160	Meters/Other	3	8,688	0	S-L	-	-
160	Meters/Other	3	11,354	0	S-L	-	-
160	Meters/Other	3	11,748	0	S-L	-	-
160	Meters/Other	3	8,492	0	S-L	-	-
160	Meters/Other	3	10,025	0	S-L	-	-
160	Meters/Other	3	11,388	0	S-L	-	-
160	Meters/Other	3	20,219	0	S-L	-	-
160	Meters/Other	3	5,359	0	S-L	-	-
160	Meters/Other	10	151,511	0	S-L	15,151	26,544
160	Meters/Other	10	27,500	0	S-L	2,750	4,813
160	Meters/Other	10	13,777	0	S-L	-	-
160	Meters/Other	10	10,660	0	S-L	-	-
160	Meters/Other	10	8,644	0	S-L	-	-
160	Meters/Other	10	13,742	0	S-L	-	-
160	Meters/Other	10	943	0	S-L	-	-
160	Meters/Other	10	16,894	0	S-L	2,890	-
160	Meters/Other	10	25,552	0	S-L	8,517	4,319

# **NUECES WATER SUPPLY CORPORATION**

## **SCHEDULE OF FIXED ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**EXHIBIT B-5**

**(continued)**

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
160	Meters/Other	10	24,025	0	S-L	8,008	12,139
160	Meters/Other	10	14,563	0	S-L	2,735	11,828
167	Engineering	40	46,589	0	S-L	778	9,334
167	Engineering	40	1,702	0	S-L	50	966
167	Engineering	40	14,327	0	S-L	358	6,110
167	Engineering	40	4,489	0	S-L	112	2,395
167	Engineering	10	29,000	0	S-L	242	-
167	Engineering	10	55,000	0	S-L	5,500	21,083
167	Engineering	10	140,188	0	S-L	8,178	132,010
180	Easements	0	25,450	0	S-L	-	25,450
172	Office Furniture	5	2,814	0	S-L	-	-
172	Office Furniture	5	5,116	0	S-L	-	-
172	Office Furniture	5	107	0	S-L	-	-
172	Office Furniture	5	370	0	S-L	-	-
172	Office Furniture	5	19,994	0	S-L	-	-
172	Office Furniture	5	377	0	S-L	-	-
172	Office Furniture	5	396	0	S-L	-	-
172	Office Furniture	5	1,250	0	S-L	21	-

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF FIXED ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2015

**EXHIBIT B-5**

(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Year Dep.	Net Book Val.
172	Office Furniture	5	15,696	0	S-L	1,277	14,418
172	Office Furniture	5	1,820	0	S-L	364	1,456
172	Office Furniture	5	678	0	S-L	34	644
172	Office Furniture	5	4,690	0	S-L	391	4,299
185	Construction in Prog.	0	60,500	0	S-L	-	60,500
			<u>\$ 3,688,142</u>			<u>\$ 115,393</u>	<u>\$ 1,536,715</u>

NUECES WATER SUPPLY CORPORATION

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015*

Nueces Water Supply Corporation  
Annual Financial Report  
for the Years Ended December 31, 2016 and 2015

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*Financial Section*

JOHN WOMACK & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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P. O. BOX 1147  
KINGSVILLE, TEXAS 78364  
(361) 592-2671  
FAX (361) 592-1411

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nueces Water Supply Corporation  
P.O. Box 415  
Kingsville, Texas 78364

**Report on the Financial Statements**

We have audited the accompanying financial statements of Nueces Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS



### ***Opinion***

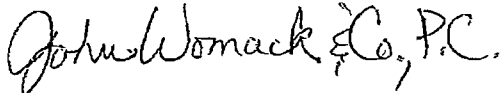
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nueces Water Supply Corporation as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles 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 financial statements and supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are 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.

Respectfully submitted,



John Womack and Company, P.C.  
Kingsville, Texas  
March 29, 2017

*Basic Financial Statements*

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016 AND 2015**

**EXHIBIT A-1**  
**Page 1 of 2**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,226,890 ✓	\$ 1,269,861
Accounts receivable - customers	79,861 ✓	79,935
Accounts receivable - other	526 ✓	1,368
Accrued interest receivable	158	147
Prepaid expenses	6,928	5,428
Inventory	<u>25,212 ✓</u>	<u>19,830</u>
Total Current Assets	<u>1,339,575</u>	<u>1,376,569</u>
Restricted Assets:		
Cash and cash equivalents:		
Membership deposits	<u>89,655</u>	<u>77,345</u>
Total Restricted Assets	<u>89,655</u>	<u>77,345</u>
Property and Equipment		
Utility plant (net)	<u>1,595,884</u>	<u>1,536,716</u>
TOTAL ASSETS	<u>\$ 3,025,114</u>	<u>\$ 2,990,630</u>

The accompanying notes are an integral part of this statement.

**NUECES WATER SUPPLY CORPORATION**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016 AND 2015**

**EXHIBIT A-1**  
Page 2 of 2

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 71,957	\$ 62,811
Texas Commission on Environmental Quality fees payable	3,724	3,365
Deposits payable - renters	750	750
Total Current Liabilities	<u>76,431</u>	<u>66,926</u>
Liabilities - Restricted:		
Membership deposits	<u>90,400</u>	<u>89,400</u>
Total Liabilities - Restricted	<u>90,400</u>	<u>89,400</u>
TOTAL LIABILITIES	<u>166,831</u>	<u>156,326</u>
<b>MEMBERSHIP EQUITY</b>		
Contributed capital	1,555,201	1,527,668
Retained earnings	<u>1,303,082</u>	<u>1,306,636</u>
TOTAL MEMBERSHIP EQUITY	<u>2,858,283</u>	<u>2,834,304</u>
<b>TOTAL LIABILITIES AND MEMBERSHIP EQUITY</b>	<u>\$ 3,025,114</u>	<u>\$ 2,990,630</u>

The accompanying notes are an integral part of this statement.

# NUECES WATER SUPPLY CORPORATION

## STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

EXHIBIT A-2

	December 31, 2016	December 31, 2015
OPERATING REVENUES:		
Water sales	\$ 834,074	\$ 771,851
Intergovernmental revenue	--	216,865
Other operating income	44,468	43,976
Total Operating Revenues	878,542	1,032,692
OPERATING EXPENSES:		
Water service	450,333	395,442
Water samples	3,537	4,129
Meter reading	44,384	41,487
Depreciation	124,492	115,393
Dues	3,633	4,188
Insurance	7,369	4,085
Legal and accounting	7,105	13,960
Other professional services	12,391	511
Miscellaneous	293	125
Postage	5,162	4,914
Administration	58,881	55,644
Repairs and maintenance	164,158	136,139
Supplies	4,210	2,439
Telephone	216	603
Bad debt expense	956	265
Total Operating Expenses	887,120	779,324
Net Operating Income	(8,578)	253,368
OTHER INCOME (EXPENSES)		
Interest income	5,024	980
Total Other Income (Expenses)	5,024	980
NET INCOME	\$ (3,554)	\$ 254,348
	Retained Earnings	Contributed Capital
Balance, December 31, 2014	\$ 1,052,288	\$ 1,501,182
Contributed Capital additions, 2015	--	26,486
Net Income, 2015	254,348	--
Balance, December 31, 2015,	1,306,636	1,527,668
Contributed Capital additions, 2016	--	27,533
Net Income, 2016	(3,554)	--
Balance, December 31, 2016	\$ 1,303,082	\$ 1,555,201

The accompanying notes are an integral part of this statement.

# NUECES WATER SUPPLY CORPORATION

## STATEMENT OF CASH FLOWS

DECEMBER 31, 2016 AND 2015

EXHIBIT A-3

	December 31 2016	December 31 2015
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 880,458	\$ 826,112
Cash Received from Other Governments	--	216,865
Cash Payments to Other Suppliers for Goods and Services	(760,005)	(711,214)
Net Cash Provided (Used) by Operating Activities	<u>120,453</u>	<u>331,763</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or Construction of Capital Assets	(183,660)	(148,997)
Contributed Capital	27,533	26,486
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(156,127)</u>	<u>(122,511)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	5,013	980
Net Cash Provided (Used) for Investing Activities	<u>5,013</u>	<u>980</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(30,661)	210,232
Cash and Cash Equivalents at Beginning of Year	1,347,206	1,136,974
Cash and Cash Equivalents at End of Year	<u>\$ 1,316,545</u>	<u>\$ 1,347,206</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (8,578)	\$ 253,368
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	124,492	115,393
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	916	9,085
Decrease (Increase) in Prepaid Expenses	(1,500)	1,003
Decrease (Increase) in Inventories	(5,382)	(4,492)
Increase (Decrease) in Accounts Payable	9,505	(43,794)
Increase (Decrease) in Member Deposits	1,000	1,200
Total Adjustments	<u>129,031</u>	<u>78,395</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,453</u>	<u>\$ 331,763</u>
 Cash and Cash Equivalents	 \$ 1,226,890	 \$ 1,269,861
Restricted Cash	89,655	77,345
	<u>\$ 1,316,545</u>	<u>\$ 1,347,206</u>

The accompanying notes are an integral part of this statement.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

#### A. Nature of Operations and Summary of Significant Accounting Policies

The Nueces Water Supply Corporation is a member-owned non-profit corporation incorporated pursuant to the provisions of the Texas Revised Annotated, Article 1434A as supplemented by the Texas Non-Profit Corporation Act, Texas Revised Civil Stat. Annotated, Article 1396, for the purpose of furnishing a potable water utility service. Corporation operating policies, rates, tariffs, and regulations are formulated and effected by a Board of Directors elected by members of the Corporation. All profits arising from the operation of such business shall be paid out annually to persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted. No such dividends shall be paid while any indebtedness of the Corporation remains unpaid, and provided also that the Directors of the Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs, and for deficiencies in income necessary to meet debt service costs. For financial statement purposes, the accounting records are maintained on the accrual basis of accounting.

#### Corporation's By-Laws

The Corporation has adopted by-laws which establishes the make-up of the Board of Directors, establishes the membership voting rights, provides for annual and regular meetings, provides for reserve accounts and establishes the rights of the members and other important regulations of the water system. These by-laws are included by reference herein, as amended from time to time, and are on file for inspection in the Corporation's office.

#### Authorization of the Corporation

The authorization granted under Chapter 13 of the Texas Water Code grants Nueces Water Supply Corporation the right to provide water utility service within a defined territory. Nueces Water Supply Corporation has Certificate Number 11948. The Territory defined in the Certificate of Convenience and Necessity (CCN) shall be the certificated service area.

#### Accounting Policies

##### *(1) Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

##### *(2) Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt securities with a maturity date within ninety days of the date acquired to be cash equivalents. Management considers investments in public funds investment pools to be cash equivalents due to their high liquidity.

##### *(3) Accounts Receivable*

Accounts receivables are stated at the amount management expects to collect from outside balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt and a credit to the applicable accounts receivable.

##### *(4) Inventory*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

#### *(5) Utility Plant*

The cost of additions to utility plant and their renewals and betterments are capitalized. The Corporation will capitalize costs greater than or equal to \$1,000. For financial statement purposes, the Corporation provides for depreciation by use of the straight-line method. The rates are intended to distribute the cost of depreciable properties over their estimated useful lives. Maintenance repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred. Gains and losses on disposition of property and equipment are included in the Statement of Activities. The cost of capitalized assets are stated at cost or fair market value if contributed. Estimated useful lives are as follows:

Distribution Lines	40 years
Meters and Other	3 years
Engineering	40 years
Furniture and Office Equipment	5 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2016 nor during fiscal year 2015.

#### *(6) Memberships/Contributed Capital*

Monies paid in as memberships are reflected as membership deposits, since they are refundable when service is terminated. Tap and contributed capital fees, which are collected when each member joins, are recorded at the same time as contributed capital, since they are not refundable once service is established.

#### *(7) Estimates*

Preparation of the financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

#### **B. Cash and Cash Equivalents**

Cash accounts included in the financial statements are maintained at institutions which are covered by the Federal Deposit Insurance Corporation. The depository bank deposits for safekeeping and trust with the Nueces Water Supply Corporation's agent bank pledged securities in an amount sufficient to protect its funds on a day-to-day basis. The pledge of securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. Nueces Water Supply Corporation's cash deposits at December 31, 2016 and 2015, were entirely covered by FDIC insurance or by collateral held by their agent bank. Investments not included in the above depository contract include \$1,013,110 in TexPool, which is made up of highly liquid pooled investments whose market value closely approximates cost, and a \$250,000 Certificate of Deposit, covered by FDIC, and maturing November, 2016.



## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

#### Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to : 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The Corporation's investments in Pools are reported at an amount determined by the fair market value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### TexPool

The Corporation has invested approximately 84% of its cash with TexPool. Pursuant to subchapter G of chapter 404 of the Interlocal Cooperation Act (the "Act"), the Comptroller of Public Accounts (the "Comptroller") administers the Texas Local Government Investment Pools (the "TexPool Portfolios") as public funds investment pools through the Texas Safekeeping Trust Company (the "Trust Company"). The Comptroller and the Trust Company have contracted with Federated Investors, Inc. ("Federated"), as administrator and investment manager for the TexPool Portfolios.

The purpose of TexPool is to offer a safe, efficient, and liquid investment alternative to local governments in the State of Texas. As required by the Act, the investment objectives of TexPool in order of priority are 1) preservation and safety of principal, 2) liquidity, and 3) yield. Principal is protected and market and credit risks minimized by investing in a diversified pool of assets of high credit quality. Actual risks are minimized by adequate collateralization and use of delivery versus payment procedures.

Texpool has the following authorized investments -

1. Obligations of the United States, its agencies, or instrumentalities with a maximum final stated maturity limited to 297 days for fixed rate securities and 24 months for variable rate notes.
2. Fully collateralized repurchase agreements or reverse repurchase agreements (i) with defined termination dates, (ii) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage backed securities, (iii) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (iv) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.
3. No-load money market mutual fund that (i) is registered with and regulated by the Securities and Exchange Commission, (ii) provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (iii) maintains a dollar-weighted average stated maturity of 90 days or fewer, and (v) includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

4. TexPool may engage in a securities lending program that complies with the following:
  - a. the value of the securities loaned, including accrued interest, must be fully collateralized by (i) government securities, (ii) irrevocable letters of credit issued by a bank organized under U.S. or state law and continuously rated at least A or its equivalent by at least one NRSRO, or (iii) cash invested in government securities, commercial paper, mutual funds, or investment pools authorized by the Act;
  - b. the loan must be terminable at any time;
  - c. the loan terms must require that the collateral be pledged to the investing entity, held in its name, and deposited with the investing entity or a third party selected and approved by the investing entity;
  - d. the loan must be placed through primary dealers or financial institutions doing business in the state; and
  - e. the loan agreement must have a term of one year or less.

As required by section 2256.009 of the Act, TexPool cannot invest in the following:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations that the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

In addition, TexPool will not invest in derivatives, commercial paper, or certificates of deposit. Diversification limitations govern investments and are applied at the date of purchase.

- \* Up to 100% of TexPool assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes.
- \* Up to 100% of TexPool assets may be invested in repurchase agreements. No more than 25% of TexPool assets may be invested in term repurchase agreements and no more than 5% of TexPool assets may be invested in term repurchase agreements with maturities exceeding 90 days.
- \* Up to 15% of the TexPool assets may be invested in approved money market funds. No more than 10% of TexPool assets may be invested in a single mutual fund.

**Credit Risk:** Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. In general, the lower the credit quality of a security, the higher the yield, all other factors being equal. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager, Federated, to only invest in obligations of the U.S. Government, its agencies, and instrumentalities; repurchase agreements; no-load AAAm money market mutual funds registered with the Securities and Exchange Commission; and securities lending programs.

The credit risk associated with investments in direct obligations of the United States is low. Obligations issued or guaranteed by Federal agencies of government-sponsored enterprises are not direct obligations of the United States and offer more varied credit risk. Because the United States Government is not obligated to provide support to its instrumentalities, TexPool's investment manager will invest in obligations issued by an agency or instrumentality only after analysis that credit risk with respect to the issuer is minimal.

**NUECES WATER SUPPLY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

TexPool's investment manager will also invest in repurchase agreements and reverse repurchase agreements which are documented through the use of a Bond Market Association, formerly the Public Securities Association, approved Master Repurchase Agreement and collateralized by obligations of the United States, its agencies, instrumentalities or other obligations on which the principal and interest are unconditionally guaranteed or insured by the United States. Repurchase agreements and reverse repurchase agreement transactions will only be placed with primary government securities dealers or financial institutions doing business in the State of Texas, and proceeds received under reverse repurchase agreements will be reinvested in securities with the same maturity as the term of the reverse agreement.

**Market Risk:** Market risk is the potential for a decline in market value due to rising interest rates. For example, a bond or other security issued or backed by the United States Government is guaranteed only as to the timely payment of interest and principal; its market price is not guaranteed and will fluctuate in value as interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, then market values fall. If interest rates fall, then market values rise. Also, values typically fluctuate more for longer-term securities than for shorter-term securities.

TexPool's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. TexPool's investment manager will maintain the weighted average maturity of the portfolio at 60 days or less, no fixed rate security will exceed 297 days in maturity, and no variable rate note will exceed 24 months in maturity. Federated is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$0.995 or rises above \$1.005. These limitations are designed to minimize market risk.

**C. Utility Plant in Service**

At December 31, 2016 and 2015, Utility Plant in Service is as follows:

	2016	2015
Distribution lines and equipment	\$ 2,915,352 ✓	\$ 2,753,967
Meters and other chattels	523,563	503,624
Engineering costs	291,295	291,295
Office furniture & equipment	55,404	53,306
Easements	25,688 ✓	25,451
Construction in Progress	60,500	60,500
<b>Total Utility Plant in Service</b>	<b>3,871,802</b>	<b>3,688,143</b>
Less: Accumulated Depreciation	(2,275,918)	(2,151,427)
<b>Net Utility Plant in Service</b>	<b>\$ 1,595,884</b>	<b>\$ 1,536,716</b>

The Corporation acquires title to water lines in return for agreeing to their maintenance whenever a subdivision enters the Corporation. The cost of these lines are paid by the subdivision to the Corporation as a reimbursement of cost paid by the Corporation. The Corporation then records it as an addition to fixed assets and an increase in contributed capital.

**D. Management**

**(1) Certificate of Convenience and Necessity**

Certificate of Convenience and Necessity (No. 11948) was awarded to the Nueces Water Supply Corporation by the Texas Utility Commission of Texas as requested in Docket No. 6025 in 1987.

**(2) Management Contract**

On January 7, 1985, the Corporation entered into a management contract with the South Texas Water Authority for management and operations of its system. The contract provides for insurance and bonding, reporting, and management's procedures and responsibilities.

## NUECES WATER SUPPLY CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

#### (3) Accounting and Billing

During the normal course of operations, the Nueces Water Supply Corporation remits funds to the South Texas Water Authority for the performance of various services including water purchases, inspections, administration, and repairs and maintenance costs.

For the twelve month periods ended December 31, 2016 and 2015, amounts paid to the South Texas Water Authority for these services totaled \$708,331 and \$633,423, respectively, in the following categories:

	2016	2015
Administration	\$ 88,384	\$ 82,353
Operations	74,136	72,097
Water purchases	450,334	395,441
Repair and maintenance	95,477	83,532
	<u>\$ 708,331</u>	<u>\$ 633,423</u>

#### E. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(12). Therefore, no provision has been made for income tax.

The Corporation adopted the provisions of FASB ASC 740-10-25, "Income Taxes - Overall - Recognition", which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management has analyzed the Corporation's tax positions taken with respect to all applicable income tax issues for open tax years (2013 through 2016), and has concluded that it has appropriate support for any tax positions taken or expected to be taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

#### F. Concentration of Risk

All customers of Nueces Water Supply Corporation are located in Nueces County, Texas. At December 31, 2016 and 2015, there were 902 and 890 customers on line, respectively. One customer, Geo Group, Inc. (formerly LCS Corrections Services), accounted for 32.43% of gallons sold in 2016.

The South Texas Water Authority is the sole source of water obtained by the Corporation for sale to its customers. The Corporation's water purchase contract with South Texas Water Authority was approved in June, 2015, effective on that date for twenty years.

#### G. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through March 29, 2017, which is the date of the audit report. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

#### H. Budgets

A budget is prepared using the accrual basis of accounting. The budget is approved by the Board of Directors, and used as a management tool and as a basis in determining the price of water charged to member users of the Corporation.

*Supplementary Information*

# **NUECES WATER SUPPLY CORPORATION**

**EXHIBIT B-1**

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE  
ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>OPERATING REVENUES:</b>				
Water sales	\$ 835,000	\$ 834,074	\$ (926)	\$ 771,851
Other operating income	41,725	44,468	2,743	260,841
Total Operating Revenues	876,725	878,542	1,817	1,032,692
<b>OPERATING EXPENSES:</b>				
Water service	474,277	450,333	23,944	395,442
Water samples	4,200	3,537	663	4,129
Meter reading	45,500	44,384	1,116	41,487
Depreciation	127,000	124,492	2,508	115,393
Dues	4,500	3,633	867	4,188
Insurance	11,088	7,369	3,719	4,085
Legal and accounting	8,325	7,105	1,220	13,960
Other professional services	9,140	12,391	(3,251)	511
Miscellaneous	300	293	7	125
Postage	6,500	5,162	1,338	4,914
Administration	59,000	58,881	119	55,644
Repairs and maintenance	154,000	164,158	(10,158)	136,139
Supplies	4,250	4,210	40	2,439
Telephone	300	216	84	603
Bad debt expense	1,000	956	44	265
Total Operating Expenses	909,380	887,120	22,260	779,324
Net Operating Income	(32,655)	(8,578)	24,077	253,368
<b>OTHER INCOME (EXPENSES)</b>				
Interest income	4,550	5,024	474	980
Total Other Income (Expenses)	4,550	5,024	474	980
<b>NET INCOME</b>	(28,105)	(3,554)	24,551	254,348
Retained earnings/fund balances, January 1	1,306,636	1,306,636	--	1,052,288
Retained earnings/fund balances, December 31	<u>\$ 1,278,531</u>	<u>\$ 1,303,082</u>	<u>\$ 24,551</u>	<u>\$ 1,306,636</u>

**NUECES WATER SUPPLY CORPORATION****EXHIBIT B-2****SCHEDULE OF INSURANCE COVERAGE****FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Carrier</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Policy Period</u>
AIA Insurance AAIC	General Liability Property	\$1,000,000/3,000,000 \$247,744	12/31/2015 through 12/31/2016
AIA Insurance AAIC	Director's & Officer's	\$1,000,000/3,000,000	12/31/2015 through 12/31/2016
AIA Insurance AAIC	Flood (at locations other than Agua Dulce)	\$181,949	12/31/2015 through 12/31/2016
Carlisle Ins. Western Surety	Surety Bond Secretary/Treasurer Position	\$25,000	5/10/2016 through 5/10/2017

**NUECES WATER SUPPLY CORPORATION****SCHEDULE OF WATER PURCHASES AND SALES****LAST TEN FISCAL YEARS****EXHIBIT B-3**

<u>Fiscal Year Ended</u>	<u>Gallons Purchased</u>	<u>Gallons Sold</u>	<u>Gallons Corporation Usage, Losses, Etc.</u>	<u>Purchased Not Sold</u>
12/31/2007	80,016,610	73,315,040	6,701,570	8.38%
12/31/2008	105,318,930	85,282,980	20,035,950	19.02%
12/31/2009	114,765,760	100,239,800	14,525,960	12.66%
12/31/2010	101,368,516	79,161,130	22,207,386	21.91%
12/31/2011	121,161,490	110,538,280	10,623,210	8.77%
12/31/2012	117,617,670	108,741,240	8,876,430	7.55%
12/31/2013	149,668,470	135,062,750	14,605,720	9.76%
12/31/2014	136,606,240	126,052,230	10,554,010	7.73%
12/31/2015	142,701,783	141,615,010	1,086,773	0.76%
12/31/2016	164,675,847	145,943,030	18,732,817	11.38%

**Standard and Non-Standard Service Availability Charges**

The minimum monthly charge for meter water service is as follows:

5/8" meter - \$29.65 with no water

3/4" meter - \$34.43 with no water

1" meter - \$68.35 with no water

1 1/2" meter - \$109.00 with no water

2" meter - \$151.00 with no water

Customers on line: 902



**SCHEDULE OF FDIC INSURANCE AND PLEDGED SECURITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

FDIC Insurance	\$	250,000	Demand Accounts
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There were no pledged securities at December 31, 2016.

# NUECES WATER SUPPLY CORPORATION

EXHIBIT B-5

## SCHEDULE OF FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
153	Dist. Lines	40	\$ 1,434	\$ 0	S-L	\$ 20	\$ 191
153	Dist. Lines	40	2,340	0	S-L	36	370
153	Dist. Lines	40	21,324	0	S-L	348	3,833
153	Dist. Lines	40	1,388,325	0	S-L	23,302	256,327
153	Dist. Lines	40	67,313	0	S-L	1,683	26,925
153	Dist. Lines	40	5,442	0	S-L	136	2,267
153	Dist. Lines	40	402	0	S-L	10	170
153	Dist. Lines	40	10,498	0	S-L	262	4,628
153	Dist. Lines	40	3,959	0	S-L	99	1,931
153	Dist. Lines	40	2,305	0	S-L	58	1,036
153	Dist. Lines	40	12,682	0	S-L	317	6,088
153	Dist. Lines	40	5,419	0	S-L	135	2,605
153	Dist. Lines	40	1,976	0	S-L	40	709
153	Dist. Lines	40	507	0	S-L	13	254
153	Dist. Lines	40	280,248	0	S-L	7,105	149,032
153	Dist. Lines	40	2,817	0	S-L	70	1,578
153	Dist. Lines	40	1,478	0	S-L	37	862
153	Dist. Lines	40	942	0	S-L	24	551

**NUECES WATER SUPPLY CORPORATION**  
**SCHEDULE OF FIXED ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**EXHIBIT B-5**  
**(continued)**

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
153	Dist. Lines	40	1,821	0	S-L	46	1,081
153	Dist. Lines	40	62,006	0	S-L	1,550	36,746
153	Dist. Lines	40	113,006	0	S-L	2,825	66,155
153	Dist. Lines	40	165,100	0	S-L	4,128	98,716
153	Dist. Lines	40	26,746	0	S-L	669	16,387
153	Dist. Lines	40	36,080	0	S-L	902	22,077
153	Dist. Lines	40	1,580	0	S-L	39	977
153	Dist. Lines	40	11,764	0	S-L	294	7,517
153	Dist. Lines	40	4,603	0	S-L	115	2,919
153	Dist. Lines	40	2,034	0	S-L	51	1,386
153	Dist. Lines	40	2,151	0	S-L	54	1,479
153	Dist. Lines	40	38,530	0	S-L	963	27,051
153	Dist. Lines	40	1,967	0	S-L	49	1,401
153	Dist. Lines	40	3,628	0	S-L	91	2,599
153	Dist. Lines	40	28,740	0	S-L	719	20,717
153	Dist. Lines	40	2,292	0	S-L	57	1,666
153	Dist. Lines	40	17,311	0	S-L	433	12,886
153	Dist. Lines	40	6,032	0	S-L	151	4,647

# NUECES WATER SUPPLY CORPORATION

## SCHEDULE OF FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT B-5  
(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
153	Dist. Lines	40	3,182	0	S-L	80	2,566
153	Dist. Lines	40	313,716	0	S-L	7,843	257,509
153	Dist. Lines	40	1,618	0	S-L	40	1,312
153	Dist. Lines	40	6,203	0	S-L	155	5,337
153	Dist. Lines	40	4,779	0	S-L	119	4,265
153	Dist. Lines	40	6,433	0	S-L	322	5,683
153	Dist. Lines	40	30,673	0	S-L	1,534	28,244
153	Dist. Lines	40	52,560	0	S-L	2,628	48,180
153	Dist. Lines	40	12,755	0	S-L	372	12,383
153	Dist. Lines	40	141,278	0	S-L	1,177	140,101
153	Dist. Lines	40	7,352	0	S-L	245	7,107
160	Meters/Other	3	1,716	0	S-L	-	-
160	Meters/Other	3	9,386	0	S-L	-	-
160	Meters/Other	3	51	0	S-L	-	-
160	Meters/Other	3	14,659	0	S-L	-	-
160	Meters/Other	3	9,810	0	S-L	-	-
160	Meters/Other	3	1,338	0	S-L	-	-
160	Meters/Other	3	40,036	0	S-L	-	-

# NUECES WATER SUPPLY CORPORATION

## SCHEDULE OF FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

## EXHIBIT B-5

(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
160	Meters/Other	3	8,199	0	S-L	-	-
160	Meters/Other	3	1,951	0	S-L	-	-
160	Meters/Other	3	11,290	0	S-L	-	-
160	Meters/Other	3	10,103	0	S-L	-	-
160	Meters/Other	3	8,688	0	S-L	-	-
160	Meters/Other	3	11,354	0	S-L	-	-
160	Meters/Other	3	11,748	0	S-L	-	-
160	Meters/Other	3	8,492	0	S-L	-	-
160	Meters/Other	3	10,025	0	S-L	-	-
160	Meters/Other	3	11,388	0	S-L	-	-
160	Meters/Other	3	20,219	0	S-L	-	-
160	Meters/Other	3	5,359	0	S-L	-	-
160	Meters/Other	10	151,511	0	S-L	15,151	11,393
160	Meters/Other	10	27,500	0	S-L	2,750	2,063
160	Meters/Other	10	13,777	0	S-L	-	-
160	Meters/Other	10	10,660	0	S-L	-	-
160	Meters/Other	10	8,644	0	S-L	-	-
160	Meters/Other	10	13,742	0	S-L	-	-

# NUECES WATER SUPPLY CORPORATION

## SCHEDULE OF FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT B-5  
(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
160	Meters/Other	10	943	0	S-L	-	-
160	Meters/Other	10	16,894	0	S-L	-	-
160	Meters/Other	10	25,552	0	S-L	4,319	-
160	Meters/Other	10	24,025	0	S-L	8,008	4,130
160	Meters/Other	10	14,563	0	S-L	4,854	6,974
160	Meters/Other	10	19,940	0	S-L	4,134	15,805
167	Engineering	40	46,589	0	S-L	778	8,557
167	Engineering	40	1,702	0	S-L	50	916
167	Engineering	40	14,327	0	S-L	358	5,752
167	Engineering	40	4,489	0	S-L	112	2,283
167	Engineering	10	29,000	0	S-L	-	-
167	Engineering	10	55,000	0	S-L	5,500	15,583
167	Engineering	10	140,188	0	S-L	14,019	117,991
180	Easements	0	25,688	0	S-L	-	25,688
172	Office Furniture	5	2,814	0	S-L	-	-
172	Office Furniture	5	5,116	0	S-L	-	-
172	Office Furniture	5	107	0	S-L	-	-
172	Office Furniture	5	370	0	S-L	-	-

# **NUECES WATER SUPPLY CORPORATION**

## **SCHEDULE OF FIXED ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2016

**EXHIBIT B-5**  
(continued)

Acct. No.	Class	Life Years	Cost	Sal.	Mtd.	Current Year Dep.	Net Book Val.
172	Office Furniture	5	19,994	0	S-L	-	-
172	Office Furniture	5	377	0	S-L	-	-
172	Office Furniture	5	396	0	S-L	-	-
172	Office Furniture	5	1,250	0	S-L	-	-
172	Office Furniture	5	15,695	0	S-L	1,570	12,842
172	Office Furniture	5	1,820	0	S-L	364	1,092
172	Office Furniture	5	678	0	S-L	136	509
172	Office Furniture	5	4,690	0	S-L	938	3,361
172	Office Furniture	5	523	0	S-L	52	471
172	Office Furniture	5	1,575	0	S-L	53	1,523
185	Construction in Prog.	0	60,500	0	S-L	-	60,500
			<u>\$ 3,871,802</u>			<u>\$ 124,492</u>	<u>\$ 1,595,884</u>

NUECES WATER SUPPLY CORPORATION

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016*



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NUECES WATER SUPPLY CORPORATION

Nueces Water Supply Corporation  
Annual Financial Report  
for the Years Ended December 31, 2017 and 2016

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NUECES WATER SUPPLY CORPORATION

*Financial Section*