



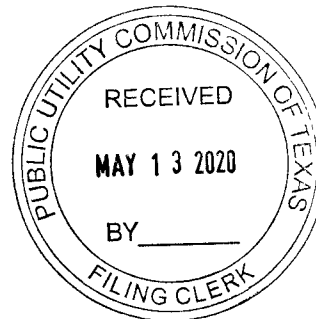
Control Number: 49845



Item Number: 17

Addendum StartPage: 0

**CHARLES W. ZAHN, JR.**  
**ATTORNEY AT LAW**  
**2106 STATE HIGHWAY 361, SUITE B**  
**P.O. BOX 941**  
**PORT ARANSAS, TEXAS 78373**  
**Telephone: (361) 548-8967 \* (361) 729-2381**  
**E-Mail: cwzjr@centurytel.net**  
May 13, 2020



Public Utility Commission of Texas  
Central Records  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

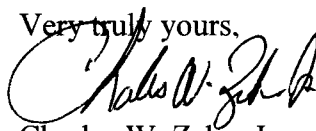
Re: Docket No. 49845, Application of River Acres Water Supply Corporation to Amend its Certificate of Convenience and Necessity

Gentlemen:

In an Interoffice Memo dated September 19, 2020 to the River Acres Water Supply Corporation ("RAWS"), the Staff of the Public Utility Commission of Texas ("PUC") noted certain information that needed to be provided in order to have RAWS Application to Amend its Certificate of Convenience and Necessity deemed administratively complete. These items are specifically addressed by Paul Pilarczyk of Hansen Professional Services, Inc., the engineers for RAWS on Exhibit A attached hereto.

Should you need any additional information please call either the undersigned or Mr. Pilarczyk.

Very truly yours,



Charles W. Zahn, Jr.

CWZ:eg  
Attachments

cc: Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
Attn: Mr. Richard Nemer  
Legal Division

**VIA E-Mail: richard.nemer@puc.texas.gov**

## EXHIBIT "A"

"Per the request of Public Utility Commission (PUC) Interoffice Memorandum from Elisabeth English, dated September 19, 2019 and repeated below, we are responding as follows in bold text:

- A. Copies of any request for service applicable to the requested areas; **Please see attached a copy of RAWS Board Meeting minutes from February 13, 2018 requesting service for Area 1 (from Mr. James Dean) and for Area 2 (from Scott Moller of behalf of Mr. Dan Murphy)**
- B. A summary of the estimated timeline for the construction of any required facilities necessary for the provision of service in the requested areas; **RAWS does not have plans for any additional facilities that will be needed to provide water service to Area 1. As a part of the Texas Water Development Board (TWDB) project that is currently under construction, RAWs did extend a new 12 inch diameter water line to the southwest corner of its current CCN (FM 624 and County Road 75) in anticipation of providing water service to Area 1; however that was not the primary intent of the project. This project is expected to be completed in the next few months. With the development that we understand is proposed for Area 1, the only anticipated additional infrastructure needed to service that area would be a waterline extension to that area; however this will be re-evaluated when a final design is presented to RAWs. The potential developer has not provided a timeline for the development. Additional facilities will not be required to serve Area 2. Adequate water service is already available to this development.**
- C. Copies of the TCEQ construction approval letters for any required facilities necessary for the provision of service in the requested areas; **There are no TCEQ approval letters for required facilities specific to Area 1 and 2 at this time.**
- D. Copies of any applicable developer agreements, including the expected water demand for each of the requested areas; **No developer agreements currently exist. The Area 1 development currently includes 81 residential lots and the estimated water demand is expected to be approximately 20,000 gallons per day. The Area 2 development is mixed use, and we understand from this first phase of development there is an estimated water demand that is expected to be approximately 25,000 gallons per day.**
- E. A copy of a written statement from the City of Corpus Christi permitting RAWs to provide water service in the requested area that overlaps its municipal boundaries; **The approval letter from the City of Corpus Christi is attached.**
- F. A copy of RAWs's audited financial statements (balance sheet, income statement, and statement of cash flow) for the year ended December 31, 2018. If audited financial statement (FS) is not available, unaudited FS may be filed instead. **Audited financial statement for year ending December 31, 2018 is attached.**
- G. A copy of RAWs approved budget for the years 2018 and 2019. **A RAWs Budget Summary Report is attached that contains a 2019 Budget, along with a Projection for a 2020 Budget. Also included is a Budget Summary Table for the years 2015 to 2018."**

If you have questions or need any additional information, please let us know.

Sincerely,

Paul M. Pilarczyk, P.E.

**A. RAWLS BOARD MEETING MINUTES – FEBRUARY 13, 2028.**

**RIVER ACRES WATER SUPPLY CORPORATION**  
**Regular Monthly Board Meeting**  
**February 13, 2018**

The Board meeting of River Acres Water Supply Corporation was held on January 23, 2018 at 6:00 P.M., at the RAWS Corp, where the following members were present:

President Michael Douglass  
Vice President Kyle Clark

Director Scott Abplanalp  
Secretary /Treasurer Darrell Dusek

Brent Burkhardt, System Manager/Operator, and Debra Richter, Office Manager, were also present in meeting.

Guests present were Paul Pilarsyk, James Dean, and Scott Moller.

Director Chuck Tempenney, Ronnie Lightfoot were not in attendance

President Douglass established a quorum and called the Meeting to order at 6:02 P.M.

President Douglass introduced all guests.

James Dean informed Board that he would like to develop the 100 acre tract on CR 75, and needs water to 81 homes with 1 inch meters, and also informed the Board the existing subdivision on 75 does have water pipes to tie into the existing houses. Pres. Douglass told Dean to get Engineer to get figures and how much water they would need and RAWS would extend the CCN to get them water at their expense.

Area 1

~~Second motion also made by Board was presented by Dan Murphy who acquired 40 acres on 624 and would like RAWS to extend the CCN to his property and also they plan to develop on that property. Pres. Douglass informed that for fire protection they would have to provide fire line and they would be responsible for the cost.~~

Area 2

VP Clark made a motion to extend our CCN, second by Director Scott all in favor, agreed and was passed.

Paul told Board the verbiage on the Dollar General was not right so we need them to change the wording on the contract because they want us to bore 624 for two water meters.

Director Scott made a motion to increase commercial rates in our system, to increase income for our RAWS loan second by VP Clark, all agreed and was carried.

Pres Douglass voted to have Annual meeting on the 26<sup>th</sup> of April, second by VP Clark all agreed, and was carried.

Training for Board members was also discussed, and asked Debra to check into dates.

**APPROVAL OF MEETING MINUTES:**

On motion by, Sec Dusek to approve minutes and second by VP Clark to approve minutes, the Board voted, all agreed and was carried.

**APPROVAL OF FINANCIAL STATEMENTS:**

On motion by Director Abplanalp and second by VP Clark, the Board voted to approve financial statements, all agreed and was carried.

Brent gave his monthly report, and let the board know this job is over whelming at times, and customers can be difficult. Both tanks have been down for their yearly maintenance, and Brent informed Board that Texas Tank is putting a protective liner on the bolts of the ground storage tanks that will cost \$12,500. Brent also told board about an inspection we had for TRWA loan process and Refurio told Brent it would be to our benefit to put a system that will move water in the ground storage tank, and Brent said Burkhart Plumbing can do this.

Meeting was adjourned @ 8:20 pm by VP Clark second by Dir. Abplanalp , all in favor and passed

Minutes taken by: Debra Richter Office mgr.

**E. WRITTEN STATEMENT FROM CITY OF CORPUS CHRISTI PERMITTING  
RAWS TO PROVIDE WATER SERVICE IN THE REQUEASTED AREA THAT  
OVERLAPS MUNICIPAL BOINDARIES.**



May 8, 2020

Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, TX 78711-3326  
ATTN: Filing Clerk

Re: Docket No. 49845: Application of the River Acres Water Supply Corporation to Amend its Certificate of Convenience and Necessity

Dear Commissioners:

The City of Corpus Christi is (the "City") aware that the River Acres Water Supply Corporation ("RAWS") filed an Application to Amend its Certificate of Convenience and Necessity under Docket No. 49845 with the Public Utility Commission of Texas ("PUC") to provide water service to two (2) areas in Nueces County, Texas. In reviewing the filing, it appears that a portion of Area 2 is within the corporate city limits of the City. The city is also aware that RAWS has two (2) existing water transmission lines in this area and currently is providing water service to customers within this area.

In a PUC Interoffice Memorandum, the staff from PUC has deemed the Application to Amend the Certificate of Convenience and Necessity administratively incomplete until it receives a written statement from the City permitting RAWS to provide water service in the requested area that overlaps City's municipal boundary. The purpose of this correspondence is to advise you that the City does not object to RAWS providing water service in that portion of Area 2 that overlaps City municipal boundary.

Should you have any questions, please do not hesitate to call me.

City of Corpus Christi, Texas

By   
Peter Zanoni  
City Manager



**F. AUDITED FINANCIAL STATEMENT FOR YEASR ENDING DECEMBER 31, 2018.**

**RIVER ACRES WATER SUPPLY CORPORATION**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED DECEMBER 31, 2018**



**Lovvorn & Kieschnick**

CHARTERED ACCOUNTANTS

**RIVER ACRES WATER SUPPLY CORPORATION**

**DIRECTORY OF OFFICIALS**

**DECEMBER 31, 2018**

**BOARD OF DIRECTORS**

VACANT	PRESIDENT
KYLE CLARK	VICE PRESIDENT
DARRELL DUSEK	SEC/TREASURER
SCOTT ABPLANALP	DIRECTOR
RONNIE LIGHTFOOT	DIRECTOR
VACANT	DIRECTOR
VACANT	DIRECTOR

**OTHER OFFICIALS**

ALEX MC CLOSKEY	FIELD MANAGER
DEBRA RICHTER	OFFICE MANAGER

**RIVER ACRES WATER SUPPLY CORPORATION  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED DECEMBER 31, 2018**

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# Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees of  
River Acres Water Supply Corporation  
Robstown, Texas

Members of the Board:

### Report on the Financial Statements

We have audited the accompanying financial statements of River Acres Water Supply Corporation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Acres Water Supply Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

***New Accounting Pronouncement***

As described in Note 2 to the financial statements, in 2018, River Acres Water Supply Corporation implemented a new accounting pronouncement issued by the Financial Accounting Standards Board: Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited River Acres Water Supply Corporation's 2017 financial statements, and our report dated August 10, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
Corpus Christi, Texas  
September 23, 2019

**RIVER ACRES WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

	<u>2018</u>	<u>2017 *</u>
<b>ASSETS</b>		
Cash	4,546,551	951,670
Accounts Receivable, net of allowance for doubtful accounts	91,234	93,707
Inventory	8,673	8,673
Total Current Assets	<u>4,646,459</u>	<u>1,054,050</u>
Restricted Cash (Note 8)	114,280	62,745
Property and Equipment, Net (Note 3)	<u>851,806</u>	<u>848,873</u>
Total Assets	<u><u>5,612,544</u></u>	<u><u>1,965,669</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accrued Expenses	15,440	16,818
Current Portion of Notes Payable (Note 5)	100,000	-
Total Current Liabilities	<u>115,440</u>	<u>16,818</u>
Long-Term Portion of Notes Payable (Note 5)	3,520,000	-
Total Liabilities	<u>3,635,440</u>	<u>16,818</u>
Net Assets		
Net Assets with donor restrictions	114,280	62,745
Net Assets without donor restrictions	1,862,825	1,886,106
Total Net Assets	<u>1,977,105</u>	<u>1,948,851</u>
Total Liabilities and Net Assets	<u><u>5,612,544</u></u>	<u><u>1,965,669</u></u>

\* Restated

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

**RIVER ACRES WATER SUPPLY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

	2018			2017 *
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES:				
Water Sales and Related Revenues	909,550	-	909,550	845,945
Assessment Fees - Capital Maintenance	4,862	51,535	56,397	51,844
Membership Contributions (Refunds)	-	-	-	-
Interest Income	365	-	365	-
Net Assets Released from Restrictions	-	-	-	-
Total Revenue	914,777	51,535	966,312	897,790
EXPENSES:				
Operating Expenses (See page 5)	882,615	-	882,615	825,130
Depreciation and Amortization	55,443	-	55,443	66,831
Total Expenses	938,058	-	938,058	891,961
Increase (Decrease) in Net Assets	(23,281)	51,535	28,254	5,829
Net Assets, beginning of year (restated)	1,886,106	62,745	1,948,851	1,943,022
Net Assets, end of year	1,862,825	114,280	1,977,105	1,948,851

\* Restated

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



**RIVER ACRES WATER SUPPLY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

	<u>2018</u>	<u>2017 *</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	963,839	921,276
Cash payments to suppliers for goods and services	(573,458)	(649,744)
Cash payments to employees for services	(229,397)	(183,484)
Net cash provided by operating activities	<u>160,984</u>	<u>88,048</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Loan	3,620,000	-
Loan origination fees	(76,192)	-
Member contributions/refunds	-	-
Net cash provided by financing activities	<u>3,543,808</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(58,376)	-
Net cash used by financing activities	<u>(58,376)</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	 3,646,416	 88,048
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,014,415	926,367
End of year	<u>4,660,831</u>	<u>1,014,415</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	28,254	5,829
 <b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>		
Depreciation	55,443	66,831
Loan Origination Fees	76,192	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	2,473	23,486
(Increase) Decrease in Other Receivables	-	(67)
(Increase) Decrease in Prepaid Expense	-	(3,523)
Increase (Decrease) in Accounts Payable	-	(6,047)
Increase (Decrease) in Accrued Expenses	(1,378)	1,538
Net Cash Provided (Used) by Operating Activities	<u>160,984</u>	<u>88,048</u>

\* Restated

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

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

NOTE 1 – PROGRAM ORGANIZATION AND ACTIVITIES

Organization

River Acres Water Supply Corporation is a non-profit corporation organized to provide fresh water for individual and commercial enterprises residing in the rural community of Nueces County known as “River Acres.” The Organization owns and operates water distribution facilities for the benefit of its members..

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

River Acres Water Supply Corporation reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: This portion of the net assets represents the expendable resources that are available for operations at management’s discretion.

Net assets with donor restriction: This portion of the net assets is subject to either resources restricted by donors as to purpose or by the passage of time or resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The River Acres Water Supply Corporation maintains its cash in one financial institution. At December 31, 2018 and 2017, the cash in bank balances were not fully covered by FDIC insurance (See Note 7).

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

Accounts Receivable

Accounts receivable are recognized and reported as outstanding principle net of allowances for uncollectible accounts. Receivables are considered past due when balances are unpaid after 30 days from the date billed. Management provides for probably uncollectible accounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the status of individual customer accounts. Amounts are charged off after reasonable collection efforts have been exhausted.

Inventories

Inventories are carried at the lower cost or market using the Specific Identification Method.

Property, Plant and Equipment

Fixed assets are recorded at their purchase price if purchased. Donated assets are reported at their fair value at the time of acquisition. Depreciation of capital assets is provided over the estimated useful lives of the asset using the straight-line method over a period of 3 to 40 years. Maintenance and repairs which do not materially add to the value of the property or appreciably prolong its life are charges to expense as incurred. The Organization has not established a capitalization policy at December 31, 2018.

Federal Income Taxes

River Acres Water Supply Corporation is exempt from Federal Income Taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(12). River Acres Water Supply Corporation is to be treated as a publicly supported organization, and not as a private foundation. However, an annual return must be filed with the Internal Revenue Service on IRS Form 990, Return of Organization Exempt from Income Tax. This return is basically an information-type return describing the financial and program activities within. An IRS Form 990-T reporting income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

Personal Leave

Employees of the Organization are allowed vacation leave based on employee position and length of service. Carryover of unused vacation after year end is not allowed and therefore, no liability for compensated absences is recognized.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The expenses are allocated on the basis of estimates of time and effort and direct costs.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net assets class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The reconciliation of change in net assets to net cash provided by (or used by) operating activities in the statement of cash flows has been deleted because it is no longer required.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 11)

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented *</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$1,886,106	\$ -
Temporarily restricted net assets	62,745	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	1,886,106
Net assets with donor restrictions	-	62,745
Total net assets	<u>\$1,948,851</u>	<u>\$ 1,948,851</u>

\* Restated

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of:

	2018	2017
Land	42,935	42,935
Water System, Tower and Equipment	1,432,507	1,432,507
Pump Station	531,644	531,644
Office Furniture and Equipment	33,729	33,729
Maintenance Equipment	38,086	38,086
Construction in Progress	289,062	230,685
Total	2,367,963	2,309,587
Less: Accumulated Depreciation	1,516,157	1,460,714
Total Property and Equipment, Net	<u>851,806</u>	<u>848,873</u>

Property and equipment is recorded at historical cost. Depreciation is recorded on the straight line method over the estimated useful lives of the respective assets which are 3 to 10 years for equipment and 25 to 40 years for building and improvements. Depreciation expense was \$55,443 for 2018 and \$66,831 for 2017.

NOTE 4 – ACCOUNTS RECEIVABLE

The Organization had the following accounts receivable, as of December 31:

	2018	2017 *
Customer Accounts Receivable	103,334	105,807
Less: Allowance for Uncollectible Accounts	(12,100)	(12,100)
Total Accounts Receivable	<u>91,234</u>	<u>93,707</u>

\* Restated

NOTE 5 – NOTE PAYABLE

On September 20, 2018 the Organization borrowed \$3,620,000 from the Texas Water Development Board to finance improvements to its water distribution system. The note provides for 30 annual principal and 60 semi-annual interest payments,, with the first interest payment beginning, January 1, 2019 and the first principal payment on July 1, 2019, with a maturity date of July 1, 2048. The blended interest rate on the note is 3.358%.

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

The projected principle payments are as follows:

Year Ending		<u>2018</u>	<u>2017</u>
	2017	-	-
	2018	-	-
	2019	100,000	-
	2020	75,000	-
	2021	80,000	-
	Thereafter	<u>3,365,000</u>	<u>-</u>
	Total Minimum Leases	<u>3,620,000</u>	<u>-</u>

NOTE 6 – COMMITMENTS UNDER OPERATING LEASES

The Company leases office space under a lease with a two year agreement that expires July 31, 2019 at a rate of \$1,020.78 per month. The lease office space renewed in August 2019 and rate increased to \$1,120.78 per month.

River Acres Water Supply Corporation leases a postage machine with rentals due of \$229 each quarter. This lease expired September 2017 and was not renewed.

The Company also leases a copy machine with rentals due monthly in the amount of \$290.52. This lease expires on July 31, 2019. This lease renewed in August 2019 with a new monthly rate of \$234.40.

Minimum lease payments for the five year period ending December 31 are as follows:

Year Ending		<u>2018</u>	<u>2017</u>
	2017	-	17,797
	2018	15,736	15,736
	2019	15,955	9,179
	2020	16,262	-
	2021	10,658	-
	Thereafter	<u>6,798</u>	<u>-</u>
	Total Minimum Leases	<u>47,953</u>	<u>42,712</u>

Total rent paid for the year ended December 31, 2018 and 2017, totaled \$15,736 and \$17,797, respectively.

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

NOTE 7 – CONCENTRATION OF CREDIT RISK

The River Acres Water Supply Corporation sells water to residential, rural and commercial customers located in Nueces County, located in South Texas. Net receivables attributed to sales are \$91,234 at December 31, 2018 and \$93,707 at December 31, 2017.

Monies of the Organization are held in a financial institution. Accordingly, these funds are federally insured up to a maximum of \$250,000 at each institution. At December 31, 2018 and 2017, deposits are underinsured by \$4,165,197 and \$777,076, respectively.

NOTE 8 – RESTRICTED CASH

In 2013, River Acres Water Supply Corporation began assessing additional amounts per member totaling \$5.00 per month. These additional fees are restricted for up-grade of the Organization's water distribution system. Amounts of cash balances restricted for this purpose totaled \$114,280 in 2018 and \$62,745 in 2017.

NOTE 9 – CONTRIBUTED SERVICES

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statement as in-kind contributions and expenses of a like amount. No donated goods or services have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958-10-20 formerly SFAS No. 116 has not been satisfied. During the year ended December 31, 2018 and 2017, there were no contributed services or supplies that are recognized in the financial statements.

NOTE 10 – RELATED PARTY TRANSACTIONS

River Acres Water Supply Corporation has engaged a plumbing company, which is 100% owned by the Field Manager of the Organization, to perform maintenance, repair and ongoing water operation services. Fees paid to this plumbing company totaled \$34,970 and \$51,380 in 2018 and 2017, respectively. Amounts owed at 2018 and 2017 totaled \$0 and \$4,320, respectively.

RIVER ACRES WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	2018	2017 *
Cash (less restricted)	\$ 4,546,551	\$ 951,670
Accounts Receivable	91,234	93,707
Total	<u>\$ 4,637,785</u>	<u>\$ 1,045,377</u>

\* Restated

The statement of cash flows identifies the sources and uses of the Organization's cash and shows positive cash generated by operations of \$160,984 and \$88,048 for 2018 and 2017, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2019, which is the date the financial statements were available to be issued.

NOTE 13 – RESTATEMENT OF NET ASSETS

During fiscal year 2018, management determined that various accounts receivable, prepaid and accounts payable accounts on the books were invalid. The restatements are as follows:

	<u>Net Assets</u>
Beginning Net Assets, previously reported	\$ 1,847,301
Restatement:	
Invalid Accounts Receivable	2,389
Invalid Prepaid	(18,028)
Invalid Accounts Payable	117,189
Beginning Net Assets, as restated	<u>\$ 1,948,851</u>



River Acres Water Supply Corporation  
Budget Summary Report  
2015-2018

Revenues:	2015	2016	Annual Variance	2017	2018	Annual Variance	Notes
Water Sales and Related Revenues	\$656,344	\$836,872	\$180,528	\$845,945	\$909,550	\$63,605	
Assessment Fees-Capital Maintenances	\$50,080	\$50,695	\$615	\$51,844	\$56,397	\$4,553	
Membership Contributions (Refunds)	(\$1,400)	\$10,600	\$12,000	\$0	\$0	\$0	
Interest Income	\$982	\$0	(\$982)	\$0	\$365	\$365	
Net Assets Released from Restrictions	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Revenues</b>	<b>\$706,006</b>	<b>\$898,167</b>	<b>\$192,161</b>	<b>\$897,790</b>	<b>\$966,312</b>	<b>\$68,522</b>	
Expenses	2015	2016	Annual Variance	2017	2018	Annual Variance	Notes
Water Purchases	\$230,850	\$235,181	\$4,331	\$240,659	\$235,424	(\$5,235)	
Professional Fees	\$22,029	\$18,641	(\$3,388)	\$99,059	\$100,064	\$1,005	
Repairs and Maintenance	\$128,449	\$145,283	\$16,834	\$174,423	\$109,977	(\$64,446)	
Electricity, Plants and Pumps	\$13,650	\$8,831	(\$4,819)	\$13,229	\$14,935	\$1,706	
Occupancy	\$18,629	\$20,925	\$2,296	\$21,403	\$22,060	\$657	
Office	\$39,739	\$51,511	\$11,772	\$44,119	\$31,400	(\$12,719)	
Administrative Costs	\$2,551	\$5,349	\$2,798	\$5,168	\$12,556	\$7,388	
Insurance	\$19,314	\$22,653	\$3,339	\$24,105	\$28,534	\$2,429	
Salaries and Contract Labor	\$118,607	\$129,521	\$10,914	\$172,159	\$216,452	\$44,293	
Payroll Taxes	\$8,763	\$10,628	\$1,865	\$11,325	\$12,945	\$1,620	
Vehicle and Fuel Expense	\$7,186	\$5,395	(\$1,791)	\$15,297	\$19,839	\$4,542	
Travel and Meals	\$4,751	\$4,435	(\$316)	\$4,183	\$4,238	\$55	
Loan Origination Fees	\$0	\$0	\$0	\$0	\$76,192	\$76,192	
Depreciation and Amortization	\$65,271	\$63,940	(\$1,331)	\$66,831	\$55,443	(\$11,388)	
<b>Total Expenses</b>	<b>\$679,789</b>	<b>\$722,293</b>	<b>\$42,504</b>	<b>\$891,960</b>	<b>\$938,059</b>	<b>\$46,099</b>	
Increase (Decrease) in Net Assets	\$26,217	\$175,874	\$149,657	\$5,829	\$28,254	\$22,425	
Net Assets, beginning of year (restated)	\$1,639,381	\$1,665,598	\$26,217	\$1,943,022	\$1,948,851	\$5,829	
Net Assets, end of year	\$1,665,598	\$1,841,472	\$175,874	\$1,948,851	\$1,977,105	\$28,254	

**River Acres Water Supply Corporation**  
**Budget Summary Report**  
**Projected 2019 and 2020 Budget**

Revenues:	Budget 2019	Budget 2020	Annual Variance	Notes
Water Sales and Related Revenues	\$982,314	\$1,060,899	\$78,585	Applied an 8% Growth Rate to last audited financial
Assessment Fees-Capital Maintenances	\$60,909	\$65,781	\$4,873	numbers from EOY 2018 to budget for 2019 and 2020.
Membership Contributions (Refunds)	\$0	\$0	\$0	
Interest Income	\$394	\$426	\$32	
TWDB Water Distribution System Improvements	\$0	\$3,000,000	\$3,000,000	Revenue from Texas Water Development Board
Green Money	\$0	\$600,000	\$600,000	Green Money related to water improvements
Net Assets Released from Restrictions	\$0	\$0	\$0	
<b>Total Revenues</b>	<b>\$1,043,617</b>	<b>\$4,727,106</b>	<b>\$3,683,489</b>	
Expenses:	Budget 2019	Budget 2020	Annual Variance	Notes
Water Purchases	\$247,195	\$259,555	\$12,380	Applied a 5% Growth Rate to last audited financial
Professional Fees	\$105,067	\$110,321	\$5,253	numbers from EOY 2018 to budget for 2019 and 2020.
Repairs and Maintenance	\$115,476	\$121,250	\$5,774	
Electricity, Plants and Pumps	\$15,682	\$16,466	\$784	
Occupancy	\$23,163	\$24,321	\$1,158	
Office	\$32,970	\$34,619	\$1,649	
Administrative Costs	\$13,184	\$13,843	\$659	
Insurance	\$27,861	\$29,254	\$1,393	
Salaries and Contract Labor	\$227,275	\$238,638	\$11,364	
Payroll Taxes	\$13,592	\$14,272	\$680	
Vehicle and Fuel Expense	\$20,831	\$21,872	\$1,042	
Travel and Meals	\$4,450	\$4,672	\$222	
TWDB Water Distribution System Improvements	\$0	\$3,000,000	\$3,000,000	Expenses related to water distribution system improvements
Green Money Expenses	\$0	\$600,000	\$600,000	Green Money related expenses for water improvements
Loan Origination Fees	\$80,002	\$84,002	\$4,000	
Depreciation and Amortization	\$58,215	\$61,126	\$2,911	
<b>Total Expenses</b>	<b>\$984,962</b>	<b>\$4,634,210</b>	<b>\$3,649,248</b>	
Increase (Decrease) in Net Assets	\$58,655	\$92,896	\$34,241	
Net Assets, beginning of year (restated)	\$1,977,105	\$2,035,760	\$58,655	
Net Assets, end of year	\$2,035,760	\$2,128,656	\$92,896	