



Control Number: 49845



Item Number: 1

Addendum StartPage: 0



49845

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Pursuant to 16 Texas Administrative Code (TAC) Chapter 24, Substantive Rules Applicable to Water and Sewer
Service Providers, Subchapter G: Certificates of Convenience and Necessity

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PUBLIC UTILITY COMMISSION

CCN Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, you should adhere to the following:
- Answer every question and submit all required attachments.
 - Use attachments or additional pages if needed to answer any question. If you use attachments or additional pages, reference their inclusion in the form.
 - Provide all mapping information as detailed in Part F: Mapping & Affidavits.
 - Provide any other necessary approvals from the Texas Commission on Environmental Quality (TCEQ), or evidence that a request for approval is being sought at the time of filing with the Commission.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
- SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy; however, they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
- DEFICIENT (Administratively Incomplete):** Applicant will be ordered to provide information to cure the deficiencies by a certain date (usually 30 days from ALJ's order). *Application is not accepted for filing.*
 - SUFFICIENT (Administratively Complete):** Applicant will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
- IV. Once the Applicant issues notice, a copy of the actual notice sent (including any map) and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may choose to take one of the following actions:
- HEARING ON THE MERITS:** an affected party may request a hearing on the application. The request must be made within 30 days of notice. If this occurs, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
 - LANDOWNER OPT-OUT:** A landowner owning a qualifying tract of land (25+ acres) may request to have their land removed from the requested area. The Applicant will be requested to amend its application and file new mapping information to remove the landowner's tract of land, in conformity with this request.
- V. **PROCEDURAL SCHEDULE:** Following the issuance of notice and the filing of proof of notice in step 4, the application will be granted a procedural schedule for final processing. During this time the Applicant must respond to hearing requests, landowner opt-out requests, and requests for information (RFI). The Applicant will be requested to provide written consent to the proposed maps, certificates, and tariff (if applicable) once all other requests have been resolved.
- VI. **FINAL RECOMMENDATION:** After receiving all required documents from the Applicant, Staff will file a recommendation on the CCN request. The ALJ will issue a final order after Staff's recommendation is filed.

FAQ:

Who can use this form?

Any retail public utility that provides or intends to provide retail water or wastewater utility service in Texas.

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) must use this form to obtain or amend a CCN prior to providing retail water or sewer utility service in the requested area.

What is the purpose of the application?

A CCN Applicant is required to demonstrate financial, managerial, and technical (FMT) capability to provide continuous and adequate service to any requested area. The questions in the application are structured to support an Applicant's FMT capabilities, consistent with the regulatory requirements.

Application Summary

Applicant: River Acres Water Supply Corporation

CCN No. to be amended: 11084

or

☐

Obtain NEW CCN

☒

Water

☐

Sewer

County(ies) affected by this application: Nueces County

Dual CCN requested with: N/A

CCN No.: N/A

(name of retail public utility)

☐

Portion or

☐

All of requested area

Decertification of CCN for: N/A

CCN No.: N/A

(name of retail public utility)

☐

Portion or

☐

All of requested area

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Please mark the items included in this filing

<input type="checkbox"/> Partnership Agreement	Part A: Question 4
<input checked="" type="checkbox"/> Articles of Incorporation and By-Laws (WSC)	Part A: Question 4
<input checked="" type="checkbox"/> Certificate of Account Status	Part A: Question 4
<input type="checkbox"/> Franchise, Permit, or Consent letter	Part B: Question 7
<input checked="" type="checkbox"/> Existing Infrastructure Map	Part B: Question 8
<input checked="" type="checkbox"/> Customer Requests For Service in requested area	Part B: Question 9
<input checked="" type="checkbox"/> Population Growth Report or Market Study	Part B: Question 10
<input type="checkbox"/> TCEQ Engineering Approvals	Part B: Question 11
<input type="checkbox"/> Requests & Responses For Service to ½ mile utility providers	Part B: Question 12.B
<input type="checkbox"/> Economic Feasibility (alternative provider) Statement	Part B: Question 12.C
<input type="checkbox"/> Alternative Provider Analysis	Part B: Question 12.D
<input type="checkbox"/> Enforcement Action Correspondence	Part C: Question 16
<input type="checkbox"/> TCEQ Compliance Correspondence	Part D: Question 20
<input checked="" type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part D: Question 23
<input type="checkbox"/> Rate Study (new market entrant)	Part E: Question 28
<input checked="" type="checkbox"/> Tariff/Rate Schedule	Part E: Question 29
<input checked="" type="checkbox"/> Financial Audit	Part E: Question 30
<input type="checkbox"/> Application Attachment A & B	Part E: Question 30
<input checked="" type="checkbox"/> Capital Improvement Plan	Part E: Question 30
<input type="checkbox"/> Disclosure of Affiliated Interests	Part E: Question 31
<input checked="" type="checkbox"/> Detailed (large scale) Map	Part F: Question 32
<input checked="" type="checkbox"/> General Location (small scale) Map	Part F: Question 32
<input checked="" type="checkbox"/> Digital Mapping Data	Part F: Question 32
<input checked="" type="checkbox"/> Signed & Notarized Affidavit	Page 12

Part A: Applicant Information

1. A. Name: River Acres Water Supply Corporation
(individual, corporation, or other legal entity)
☐ Individual ☒ Corporation ☐ WSC ☐ Other: _____
- B. Mailing Address: 15602 Northwest Blvd. Ste H
Robstown, Texas 78380
- Phone No.: (361) 387-2614 Email: rawscorp@stx.rr.com
- C. Contact Person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.
- Name: Alex McCloskey Title: Water Director
- Mailing Address: 15602 Northwest Blvd. Ste H/Robstown/Texas/78380
- Phone No.: (361) 387-2614 Email: rawscorp@stx.rr.com

2. If the Applicant is someone other than a municipality, is the Applicant currently paid in full on the Regulatory Assessment Fees (RAF) remitted to the TCEQ?

☐ Yes ☒ No ☐ N/A

3. If the Applicant is an Investor Owned Utility (IOU), is the Applicant current on Annual Report filings with the Commission?

☐ Yes ☐ No If no, please state the last date an Annual Report was filed: _____

4. The legal status of the Applicant is:

- ☐ Individual or sole proprietorship
- ☐ Partnership or limited partnership (*attach* Partnership agreement)
- ☐ Corporation: Charter number (recorded with the Texas Secretary of State): _____
- ☒ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]
Charter number (as recorded with the Texas Secretary of State): 217023
- ☒ Articles of Incorporation and By-Laws established (*attach*)
- ☐ Municipally-owned utility
- ☐ District (MUD, SUD, WCID, FWSD, PUD, etc.)
- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☐ Other (please explain): _____

5. If the Applicant operates under an assumed name (i.e., any d/b/a), provide the name below:

Name: River Acres Water Supply Corporation

Part B: Requested Area Information

6. Provide details on the existing or expected land use in the requested area, including details on requested actions such as dual certification or decertification of service area.

River Acres WSC is applying for an amendment to expand their current CCN boundary to two requested areas. The requested area, west of the existing CCN Boundary, (Area 1) is primarily undeveloped vegetated property that is expected to develop into single family residential. The requested area south of FM 624 (Area 2) is currently undeveloped vegetated property with one exception. There is one commercial establishment currently receiving water from River Acres. The expected land use for the remaining property is mixed use development.

7. The requested area (check all applicable):

- ☒ Currently receives service from the Applicant ☒ Is being developed with no current customers
☒ Overlaps or is within municipal boundaries ☐ Overlaps or is within district boundaries

Municipality: City of Corpus Christi District: _____

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

River Acres has been providing water to customers for over 60 years, long before the City of Corpus Christi annexed the area. River Acres has continued to serve the customers within its existing boundary, expanding the CCN as necessary to continue to provide water service. The City of Corpus Christi does not have the infrastructure in place to serve any of the customers within the River Acres CCN or to the property in the requested areas.

8. Describe the circumstances (economic, environmental, etc.) driving the need for service in the requested area:

River Acres WSC has been approached by developers wanting to develop in the requested areas. RAWs is currently operating at less than 75% of system capacity and has the necessary water infrastructure in place to allow the expansion of their system to provide water to the requested area.

9. Has the Applicant received any requests for service within the requested area?

- ☒ Yes* ☐ No *Attach copies of all applicable requests for service and show locations on a map

10. Is there existing or anticipated growth in the requested area?

- ☒ Yes* ☐ No *Attach copies of any reports and market studies supporting growth

11. A. Will construction of any facilities be necessary to provide service to the requested area?

- ☐ Yes* ☒ No *Attach copies of TCEQ approval letters

B. Date Plans & Specifications or Discharge Permit App. submitted to TCEQ: N/A

C. Summarize an estimated timeline for construction for any required facilities to serve the requested area:

N/A

D. Describe the source and availability of funds for any required facilities to serve the requested area:

N/A

Note: Failure to provide applicable TCEQ construction or permit approvals, or evidence showing that the construction or permit approval has been filed with the TCEQ may result in the delay or possible dismissal of the application.

12. A. If construction of a physically separate water or sewer system is necessary, provide a list of all retail public water and/or sewer utilities within one half mile from the outer boundary of the requested area below:

N/A

B. Did the Applicant request service from each of the above water or sewer utilities?

☐ Yes*

☐ No

*Attach copies of written requests and copies of the written response

C. Attach a statement or provide documentation explaining why it is not economically feasible to obtain retail service from the water or sewer retail public utilities listed above.

D. If a neighboring retail public utility agreed to provide service to the requested area, attach documentation addressing the following information:

(A) A description of the type of service that the neighboring retail public utility is willing to provide and comparison with service the applicant is proposing;

(B) An analysis of all necessary costs for constructing, operating, and maintaining the new facilities for at least the first five years of operations, including such items as taxes and insurance; and

(C) An analysis of all necessary costs for acquiring and continuing to receive service from the neighboring retail public utility for at least the first five years of operations.

13. Explain the effect of granting the CCN request on the Applicant, any retail public utility of the same kind serving in the proximate area, and any landowners in the requested area. The statement should address, but is not limited to, regionalization, compliance, and economic effects.

The granting of the CCN amendment request would increase the size of the service area for River Acres WSC and provide additional income to the WSC to aid in maintaining infrastructure in this area, once constructed. These areas are not currently receiving service, except for the one commercial establishment mentioned in Area 2, and is a highly sought after location for continue growth. The River Acres WSC is currently meeting all TCEQ requirements for storage capacity, pumping capacity, and supply and has the additional capacity to serve the proposed development in the requested area. Specifically, they have about 800 connections and have the capacity to serve about 1,000. There are two public utility systems within a two mile radius of the requested area: the City of Corpus Christi and Nueces County Water Control District #3. Neither entity has the infrastructure in place to serve the requested areas.

Part C: CCN Obtain or Amend Criteria Considerations

14. Describe the anticipated impact and changes in the quality of retail utility service for the requested area:

By providing water to this area, River Acres WSC is allowing for current and future residential development in the requested area. It is anticipated that this area will continue to grow and available water service is crucial to the development of the requested area.

15. Describe the experience and qualifications of the Applicant in providing continuous and adequate retail service:

River Acres WSC has been providing water service for 60 years. The WSC currently employs 2 - Class C licensed operators and 1 - Class D licensed operators. The WSC has a long standing history of providing continuous and adequate retail service.

16. Has the Applicant been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes?

☐ Yes* ☒ No

*Attach copies of any correspondence with the applicable regulatory agency concerning any enforcement actions, and attach a description of any actions or efforts the Applicant has taken to comply with these requirements.

17. Explain how the environmental integrity of the land will or will not be impacted or disrupted as a result of granting the CCN as requested:

Future developments may change the land from vacant pastures to developed land with roadways, houses, and detention ponds for single and multifamily residential communities. Impervious cover will be increased.

18. Has the Applicant made efforts to extend retail water or sewer utility service to any economically distressed area located within the requested area?

No efforts have been made to extend service to the property. The applicant is not aware of any economically distressed areas located within the requested area.

19. List all neighboring water or sewer retail public utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service located within two (2) miles from the outer boundary of the requested area:

1. Nueces County WCID 3
2. The City of Corpus Christi

Part D: TCEQ Public Water System or Sewer (Wastewater) Information

20. A. Complete the following for all Public Water Systems (PWS) associated with the Applicant's CCN:

TCEQ PWS ID:	Name of PWS:	Date of TCEQ inspection*:	Subdivisions served:
1780013	River Acres WSC	2/1/2017	All subdivisions within the CCN
1780005	Nueces County WCID 3	10/1/2018	All subdivisions within the CCN

*Attach evidence of compliance with TCEQ for each PWS

- B. Complete the following for all TCEQ Water Quality (WQ) discharge permits associated with the Applicant's CCN:

TCEQ Discharge Permit No:	Date Permit expires:	Date of TCEQ inspection*:	Subdivisions served:
WQ- N/A			
WQ-			
WQ-			
WQ-			

*Attach evidence of compliance with TCEQ for each Discharge Permit

- C. The requested CCN service area will be served via: PWS ID: 1780013

WQ - N/A

21. List the number of existing connections for the PWS & Discharge Permit indicated above (Question 20. C.):

Water				Sewer	
	Non-metered	6	2"		Residential
367	5/8" or 3/4"		3"		Commercial
5	1"		4"		Industrial
5	1 1/2"		Other		Other
Total Water Connections:			383	Total Sewer Connections:	

22. List the number of additional connections projected for the requested CCN area:

Water				Sewer	
	Non-metered		2"		Residential
	5/8" or 3/4"		3"		Commercial
81	1"		4"		Industrial
	1 1/2"	1	Other		Other
Total Water Connections:			82	Total Sewer Connections:	

23. A. Will the system serving the requested area purchase water or sewer treatment capacity from another source?

☒ Yes* ☐ No *Attach a copy of purchase agreement or contract.

Capacity is purchased from:

Water: Nueces County Water Control and Improvement District No 3

Sewer: _____

- B. Are any of the Applicants PWS's required to purchase water to meet the TCEQ's minimum capacity requirements or TCEQ's drinking water standards?

☒ Yes ☐ No

- C. What is the amount of supply or treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

	Amount in Gallons	Percent of demand
Water:	734,400	100%
Sewer:	0	0%

24. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☒ Yes ☐ No

25. List the name, class, and TCEQ license number of the operators that will be responsible for the operations of the water or sewer utility service provided to the requested area:

Name (as it appears on license)	Class	License No.	Water/Sewer
Bernal, Juan L	C	WD0012966	Water
Gutierrez, Antonio A	C	WS0010384	Water

26. A. Are any improvements required for the existing PWS or sewer treatment plant to meet TCEQ or Commission standards?

☐ Yes ☒ No

- B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:

27. Provide a map (or maps) showing all facilities for production, transmission, and distribution, and the location of existing or proposed customer connections, in the requested area. Facilities should be identified on subdivision plats, engineering planning maps, or other large scale maps. Color coding can be used, and is encouraged, to distinguish types of facilities.

Part E: Financial Information

28. If the Applicant seeking to obtain a CCN for the first time is an Investor Owned Utility (IOU) and under the original rate jurisdiction of the Commission, a proposed tariff must be attached to the application. The proposed rates must be supported by a rate study, which provides all calculations and assumptions made. Once a CCN is granted, the Applicant must submit a rate filing package with the Commission within 18 months from the date service begins. The purpose of this rate filing package is to revise a utility's tariff to adjust the rates to a historic test year and to true up the new tariff rates to the historic test year. It is the Applicant's responsibility in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service. Any dollar amount collected under the rates charged during the test year in excess of the revenue requirement established by the Commission during the rate change proceeding shall be reflected as customer contributed capital going forward as an offset to rate base for ratemaking purposes.

29. If the Applicant is an existing IOU, please attach a copy of the current tariff and indicate:

- A. Effective date for most recent rates: _____
- B. Was notice of this increase provided to the Commission or a predecessor regulatory authority?
☐ No ☐ Yes Application or Docket Number: _____
- C. If notice was not provided to the Commission, please explain why (ex: rates are under the jurisdiction of a municipality)

If the Applicant is a Water Supply or Sewer Service Corporation (WSC/SSC) and seeking to obtain a CCN, attach a copy of the current tariff.

30. **Financial Information**

Applicants must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Commission Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection.

Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Projected Financial Information may be shown by providing any of the following:

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

- 31.** Attach a disclosure of any affiliated interest or affiliate. Include a description of the business relationship between all affiliated interests and the Applicant.

DO NOT INCLUDE ATTACHMENTS A OR B IF LEFT BLANK

Part F: Mapping & Affidavits

- 32.** Provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The Applicant should adhere to the following guidance:
 - i. If the application includes an amendment for both water and sewer certificated service areas, separate maps must be provided for each.
 - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.
 - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i. The map should be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made and/or natural landmarks must be labeled and marked on the map as well.
 - ii. If the application includes an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
 - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
3. One of the following identifying the requested area:
 - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part 2 (above);

- ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part 2 (above); or
- iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
 - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
 - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
 - c. The digital mapping data shall be filed on a data disk (CD or USB drives), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part G: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice until the application is deemed sufficient for filing and the Applicant is ordered to provide notice.

33. Complete the following using verifiable man-made and/or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 783

Number of customer connections in the requested area: 1

The closest city or town: Robstown

Approximate mileage to closest city or town center: 7

Direction to closest city or town: South

The requested area is generally bounded on the North by: Miller Rd (Area 1) Northwest Blvd (Area 2)

on the East by: County Rd 75 (Area 1) Beginning of Barber Ln (Area 2)

on the South by: Northwest Blvd (Area 1) Amanda Ln (Area 2)

on the West by: County Rd 77 (Area 1) Carousal Ln (Area 2)

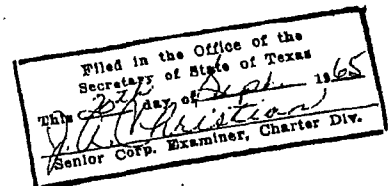
34. A copy of the proposed map will be available at River Acres WSC, 15602 Northwest Blvd Ste H Robstown, TX



ARTICLES OF INCORPORATION

OF

RIVER AGRES WATER SUPPLY CORPORATION



THE STATE OF TEXAS
COUNTY OF NUECES

KNOW ALL MEN BY THESE PRESENTS:

WE, the undersigned natural persons of the age of twenty-one (21) years or more, at least three of whom are citizens of the State of Texas, acting as incorporators of a Corporation, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I.

The name of the Corporation is River Agres Water Supply Corporation.

ARTICLE II.

The Corporation is a non-profit Corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provision of these Acts.

ARTICLE III.

The period of its duration is perpetual.

ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Calallen, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the Calallen Community in Nueces County, Texas and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is Route 1, Box 35B, Robstown, Texas, and the name of its initial registered agent at such address is JAMES F. SISCO.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is seven (7), and the names and addresses of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>JAMES F. SISCO</u>	<u>Route 1, Box 35B</u>	<u>Robstown, Texas</u>
<u>RAY B. DUNN</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>L. M. BOYD</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>B. O. HENDERSON</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>J. J. KIMBLE</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>A. L. BOLTON</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>JOHN McCAMPBELL</u>	<u>Route 1</u>	<u>Robstown, Texas</u>

ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>JAMES F. SISCO</u>	<u>Route 1, Box 35B</u>	<u>Robstown, Texas</u>
<u>RAY B. DUNN</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>L. M. BOYD</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>B. O. HENDERSON</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>J. J. KIMBLE</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>A. L. BOLTON</u>	<u>Route 1</u>	<u>Robstown, Texas</u>
<u>JOHN McCAMPBELL</u>	<u>Route 1</u>	<u>Robstown, Texas</u>

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified.

ARTICLE VIII.

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the Corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, we have hereunto set our hands, this the
23RD day of August, 1965.

James F. Sisco
Ray B. Dunn
L. M. Boyd
B. O. Henderson
J. J. Kimble
A. L. Bolton
John M. Campbell

THE STATE OF TEXAS
COUNTY OF NUECES

I, JACK H. CLEMER, a Notary Public, do hereby certify that on
this 23RD day of August, 1965, personally appeared before me,
JAMES F. SISCO, RAY B. DUNN, L. M. BOYD, B. O. HENDERSON,
J. J. KIMBLE, A. L. BOLTON, and JOHN McCAMPBELL, who each being
by me first duly sworn, severally declared that they are the
persons who signed the foregoing document as incorporators, and
that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal
the day and year above written.

Jack H. Clemmer
Notary Public in and for

Nueces County, Texas

My Commission expires June 1, 1967.





River Acres Water Supply Corporation

P. O. Box 10037, Corpus Christi, Texas 78410

December 30, 1988

mailed DEC 30 1988

Charter #217023
Secretary of State
Corporate Charter Division
Capitol Station
Austin, TX 78711

RE: Articles of Amendment
River Acres Water Supply Corporation

Gentlemen:

Enclosed please find duplicate originals of Articles of Amendment to the Articles of Incorporation of River Acres Water Supply Corporation. Please file these and send me a certified copy of the same.

Enclosed is a River Acres Water Supply Corporation check in the amount of \$100.00 to cover the cost of filing the same.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. C. Stewart, Jr.", is written over a horizontal line.

W. C. Stewart, Jr.
Secretary-Treasurer
River Acres Water Supply Corp.

enc.

HARLAND 12-1



12000 F.M. 1801 P.O. BOX 20000
CORPUS CHRISTI, TEXAS 78401

**RAWS
RIVER ACRES WATER SUPPLY CORP.**

P.O. BOX 10037
CORPUS CHRISTI, TEXAS 78410

2654

December 30 1988 ⁸⁸⁻¹⁰⁸⁹₁₁₄₉

PAY TO THE
ORDER OF Secretary of State of Texas

\$ 100.00

One Hundred and no/100 ----- DOLLARS

THIS CHECK IS DELIVERED IN CONNECTION WITH THE FOLLOWING ACCOUNTS

	Charter #217023		
	Filing fee for Amendment to		
	Charter		

L. D. Kauf
R. P. Edwards

⑈002654⑈ ⑆114910895⑆ ⑆11⑈165⑈9⑈

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF

RIVER ACRES WATER SUPPLY CORPORATION

Pursuant to the provisions of Article 1528b. (Section 26), the undersigned corporation adopts the following amendment to its Articles of Incorporation which provides for a new Article IX limiting the liability of its directors.

ARTICLE ONE. The name of the corporation is RIVER ACRES WATER SUPPLY CORPORATION.

ARTICLE TWO. The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on November 29, 1988:

Article IX (9) of the Articles of Incorporation reads as follows:

A. Directors of the corporation shall not be liable to the corporation or its members for monetary damages for an act or omission in the director's capacity as a director except that this article does not eliminate or limit the liability of a director for:

- (1) a breach of a director's duty of loyalty to the corporation or its shareholders or members;
- (2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;
- (3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;
- (4) an act or omission for which the liability of a director is expressly provided for by statute; or

(5) an act related to an unlawful stock repurchase or payment of a dividend.

B. This article applies only to an act or omission occurring on or after August 31, 1987.

Pursuant to Article XX, at a special meeting held on the 29th of November, 1988, and the same having been duly noticed and such action having been taken by a majority vote of those members attending, the action of the Corporation is certified by the undersigned authorities, on this the 29th day of December, 1988.

RIVER ACRES WATER SUPPLY CORPORATION

BY:

Larry Kaufman
LARRY KAUFMAN
President

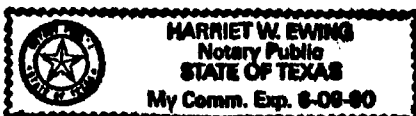
W. C. Stewart, Jr.
W. C. STEWART, JR.
Secretary-Treasurer

THE STATE OF TEXAS

COUNTY OF NUECES

This instrument was acknowledged before me on the 29th day of December, 1988 by LARRY KAUFMAN, President and W. C. STEWART, JR. Secretary-Treasurer, of RIVER ACRES WATER SUPPLY CORPORATION, a Texas Corporation, on behalf of said corporation.

Harriet W. Ewing
HARRIET EWING, Notary Public in
and for the State of Texas



My commission expires: 06/09/90



**BY-LAWS
RIVER ACRES WATER SUPPLY CORPORATION**

Bylaws of RIVER ACRES WATER SUPPLY CORPORATION, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I

The President shall preside at all Members' and Directors' meetings. The President shall perform all other duties that usually pertain to the office or are delegates to the President by the Board of Directors.

ARTICLE II

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

ARTICLE III

The Secretary-Treasurer shall have custody of all monies, **records** and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of **the Corporation**. All monies of the Corporation shall be deposited by the Secretary-Treasurer or assistant in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and the President **or a designee of that office**. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee of the corporation to assist the Secretary-Treasurer in all official duties pertaining **to that office**.

The position of the Secretary-Treasurer and other **Board** positions and/or employees entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements of all **USDA Rural Development, Rural Utilities Service (RUS)** loans and be evidenced by a position fidelity schedule bond as acceptable to the **USDA Rural Development, RUS, or its successor agencies and assigns.**

ARTICLE IV

Section 1. The Board of Directors shall consist of seven Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the fourth Thursday of April, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Annual Members' meeting provided for in Article VI of the Bylaws. [To be eligible to be a Director, a person must reside within the boundaries of and be a member of River Acres Water Supply Corporation. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the **members** after their election, the terms of the Directors of the second class shall expire at the second annual meeting after their election and the terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

Directors shall receive no compensation for services as such; however, Directors may be compensated or reimbursed for expenses by a majority vote of **Directors, so long as such compensation does not conflict with state law.**

Upon the death or resignation of a Director, a successor shall be **appointed** by a majority of the existing Directors to serve the unexpired term.

Section 2. Officers and Directors may be removed from office in the following manner, except as otherwise provided in Article V: Any Member or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer **of the Corporation.** If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing, of such charges at least twenty **(20)** days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting, **in accordance with the written annual or special meetings procedures as adopted by the Board.** A vacancy in any office thus created shall be

filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 3. The President of the Board or **Vice-President**, shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the **Board**. The fact that the President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such **individual** from continuing to act in **the** capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4. The Board of Directors shall adopt and maintain a conflict of interest policy **designed to promote the business of the Corporation and serve the interests of the Membership**. Such policy, at a minimum, shall be in conformance with the provision of the Texas Non-Profit Corporation Act pertaining to the duties and responsibilities of the Board of Directors.

ARTICLE V

Section 1. Meetings of the Board of Directors shall be held at such time and place as the Board may determine at the previous meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act. The Board of Directors shall

ensure that all meetings comply with the requirements of the Open Meetings Act, **Chapter 551, Texas Government Code**, including any subsequent amendment thereto. In the event of any conflict between the provisions of these Bylaws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

Section 2. Any Director failing to attend two (2) consecutive meetings **may** be given written notice by the balance of the Board of Directors that failure by said director to attend a third consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be **appointed** by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.

Section 3. The Board of Directors shall provide access for **the public**, new service applicants, or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; **however, there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act.** The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. **The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.**

Section 5. In conducting their duties as members of the Board of Directors:

(1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations; may rely in good faith and with ordinary care, on the financial statement of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually on the fourth Thursday of April to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the Membership indicating the time, date, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these Bylaws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted. Members holding five percent (5%) of the votes entitled to be cast, represented in person or by proxy shall constitute a quorum for the transaction of business. All new business that requires a vote that comes before an annual or special meeting may not be decided at that time unless it is on the published agenda. However, a majority of those present may require the business to be placed before the general membership or the next Board of Directors meeting as appropriate and voted on at a subsequent meeting after all proper notices are mailed as set out elsewhere herein.

Section 2. The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including the proxy and/or ballot form which shall be the official proxy and/or ballot for such meetings; procedures for proper notification of the Membership of such meeting and delivery of the Corporation's official proxy and/or ballot forms to the Membership; procedures to determine, qualify and register the eligible voters for such meetings; and procedures for canvassing all votes and recording the results of all elections at such meetings of the Membership.

Section 3. The Board of Directors shall establish a standing Credentials Committee of three (3) Members or a person appointed by the President, of which the Secretary-Treasurer shall be the chairperson. **This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors.** This committee, in accordance with procedures adopted by the Board under Section 2, shall **notify** the membership of **annual or special Membership** meetings and **deliver** the Corporation's **official proxy and/or ballot** forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, canvas all votes, and record the results of such elections. **Should the individual holding the office of Secretary-Treasurer be running for re-election, the President shall appoint an officer not currently running for re-election to serve as chairperson of this committee.**

Section 4. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting Member, or voting member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at their

expense, copy the list. Further, the Board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.

ARTICLE VII

A Special meeting of the Members or Directors may be called by the President, or by demand by a majority of the board members or one-third (1/3) of the Members. **Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.**

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise notice, **as required under Article 1396-2.11, Texas Revised Civil Statute**, and as provided under Article V of these Bylaws. Such notice shall specify the **date**, time, place and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, **personally delivered to each Member, or sent by facsimile to each Member.**

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting **shall be provided** under Article V of the Bylaws **and the Texas Open Meetings Act**, at least two hours before the meeting is convened. It shall be the responsibility of the President, or **a designee of that office**, to ensure that proper notice is posted **and Directors are properly notified.** In no event shall any **emergency meeting**

of the Directors be convened where the business of such meeting could be considered at a regular **or special** meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these Bylaws.

ARTICLE VIII

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the last year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid **and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008(d) of the Texas Water Code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and payment of interest that are not required to be spend in the year in which deposited shall be invested in accordance with the provisions of Section 67.014(b) of the Texas Water Code.**

ARTICLE IX

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation. **Securities so purchased shall be deemed at all**

times to be part of the reserve fund account. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided; however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from **USDA Rural Development, RUS**. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

ARTICLE X

Section 1. **The Corporation shall have Members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a Membership as a condition to receive service on a limited basis.** Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonable be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water service as provided for its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's **race, color, religion, sex, age, marital**

status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be as determined by the Board of Directors. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water service from the Corporation for such potential Members' own needs. Furthermore, the Board shall determine and administer such fee in a manner or in an amount which does not unreasonably deny service to financially deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water rates unless previously approved by **USDA Rural Development, RUS. Membership fees will be refundable.**

ARTICLE XI

Where necessary for determining those Members entitled to notice of, or those Members entitled to vote at any meeting or any adjustment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken. Nothing herein shall preclude the holder of a Membership from mortgaging such Membership, or, upon notification to the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice to the corporation.

ARTICLE XII

Section 1. In order to insure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

- (a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other right of participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other

interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

- (b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance of real estate from which the Membership or other right of participation arose.
- (c) The transfer of stock, Membership, or another right of participation under section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges, and conditions of service. Water service provided by the corporation as a result of stock, membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.
- (d) The Corporation may cancel a persons or other entity's stock, Membership, or other right of participation if the person or other entity fails to meet the condition for water service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water service under the stock, Membership, or other right of participation authorized under Subsection (c.) of this section. The Corporation may, consistent with the limitations prescribed by Subsection (a) of this section and as provided in the Corporation's tariff, reassign canceled stock, or a

canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water service is requested, subject to compliance with the conditions for water service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary here-in-above provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

ARTICLE XIII

The Board may employ a manager to handle the business of the Corporation under the direction of the Board. The Board shall set the salary for the manager.

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a Member should surrender **the** Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be discontinued and the obligation to pay for water service shall terminate except as for the minimum charge for the current month and the charge for water used during the current month, and except as for any prior unpaid amounts due the Corporation. **Any remaining balance from the**

membership fee will be refunded to the former member. In the event Membership is terminated, canceled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interests in the assets of the Corporation will not be forfeited.

ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness **due** the Corporation by a Member for water service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that, upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply that is exempt from ad valorem taxation. **By application or and acceptance of Membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.**

ARTICLE XVI

The fiscal year of the Corporation shall be January 1 to December 31.

ARTICLE XVII

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through **USDA Rural Development, RUS**, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the **USDA Rural Development, RUS**, for the State of Texas.

ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporations system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by **USDA Rural Development, RUS**, so that the sum of such assessments and amount collected from water and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other than **USDA Rural Development, RUS**, without a favorable vote of the majority of the Members. Any assessments levied to make up operational deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

Section 2. In the event a Member should surrender ~~their~~ Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate, provided, however, that this paragraph and the

second sentence of Article XIV shall not apply to relieve a Member of **their** obligation under special agreements covering Multiple-Membership certificates held by one Member which may have been required or approved by the **USDA Rural Development, RUS.**

ARTICLE XIX

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principle office in Texas.

Annually, the Board of Directors shall **prepare or** cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by the **USDA Rural Development, RUS.** Such reports shall be approved by the Board of Directors.

With prior written request, corporate record, books and annual reports, subject to exceptions provided by the **Chapter 552, Texas Government Code**, including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

In the event of any conflict between the provisions of the **Public Information Act** and the provisions of these Bylaws, the provisions of the **Public Information Act** shall prevail.

ARTICLE XX

These Bylaws may be altered, amended, or repealed by a vote of a majority of the Members present, **whether in person or by proxy**, at any regular meeting of the **Members**, or at any special meeting of the **Members** called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the Bylaws as to effect a fundamental change in the **intent and purposes** of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the **USDA Rural Development, RUS, or its successor agencies and assigns**, these Bylaws shall not be altered, amended, or repealed without the prior written consent of the State Director of the **USDA Rural Development, RUS**, for the State of Texas.

ARTICLE XXI

The Seal of the Corporation shall consist of a circle within which shall be inscribed "RIVER ACRES WATER SUPPLY CORPORATION".

ARTICLE XXII

The Corporation pledges its assets for use in performing the functions **of the Corporation as provided by law and the Corporation's Articles of Incorporation.**

ARTICLE XXIII

The above Bylaws and regulations were unanimously adopted by the **Board of Directors** of the RIVER ACRES WATER SUPPLY CORPORATION, at a meeting
_____ on the 22nd day of April, 2004.

Burt Bullitt

President

*Signed 2005
JRM*

Attest:

Johnny Lina
Secretary-Treasurer



OFFICE OF THE SECRETARY OF STATE

**CERTIFICATE OF INCORPORATION
OF**

RIVER ACRES WATER SUPPLY CORPORATION

Charter No. 217023

The undersigned, as Secretary of State of the State of Texas, hereby certifies that duplicate originals of Articles of Incorporation for the above corporation duly signed and verified pursuant to the provisions of the Texas Non-Profit Corporation under Article 1434a of the R. C. S. of Texas Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a duplicate original of the Articles of Incorporation.

Dated September 20th, 1965

Crawford C. Martin
Secretary of State







Franchise Tax Account Status

As of : 09/27/2017 15:56:34

This Page is Not Sufficient for Filings with the Secretary of State

RIVER ACRES WATER SUPPLY CORPORATION

Texas Taxpayer Number 32019873838

Mailing Address 15750 NORTHWEST BLVD ROBSTOWN,
TX 78380-5955

Right to Transact Business in Texas ACTIVE

State of Formation TX

Effective SOS Registration Date 09/20/1965

Texas SOS File Number 0021702301

Registered Agent Name JOHN V GINN

Registered Office Street Address 15602 NORTHWEST BLVD STE H
ROBSTOWN, TX 78380



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	Director	Scott Abplanalp
Vice President	Kyle Clark	Secretary /Treasurer	Darrell Dusek

Brent Burkhart, 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 Tempenny, 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.

Scott Moller also told Board he was hired by Dan Murphy who acquired 40 acres on 624 and would like RAWS to supply them with water for restaurants and shops they plan to develop on that property. Brent informed Scott that for fire protection they would have to put a 6 inch line and they would be responsible for the cost.

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 26th 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.

HISTORICAL AND PROJECTED WATER USEAGE				
RIVER ACRES WATER SUPPLY				
Year	Connections	Population	Useage	Useage
			Gallons	Ac-ft/yr
2015	797.0	2168.0	104,000,000.00	319
2017	790.0	2149.0	97,000,000.00	298
2020	798.6	2172.5	103,800,000.00	319
2025	804.6	2189.0	107,800,000.00	331
2030	810.6	2205.5	111,800,000.00	343
2035	816.6	2222.0	115,800,000.00	356
2040	822.6	2238.5	119,800,000.00	368
2045	828.6	2255.0	123,800,000.00	380
2047	831.0	2261.6	125,400,000.00	385
2050	834.6	2271.5	127,800,000.00	393



NUECES COUNTY
WATER CONTROL AND IMPROVEMENT
DISTRICT #3

P. O. Box 1147
Robstown, Texas 78380
(361) 387-4549

January 17, 2014

River Acres Water Supply Corporation
15602 Northwest Boulevard, Ste. H
Robstown, Texas 78380

Dear Board of Directors,

This letter is to serve as notification of increase to the current wholesale treated water rate of \$2.60/thousand for your water supply corporation to \$2.70/thousand. The effective date for the water rate increase will be April 15, 2014 and you will see its effect on the billing received at the end of May, 2014. The due date of the billing will be June 15, 2014.

If you have any questions concerning this issue, please feel free to contact me via email at prichard@nueceswater3.com or via phone at (361) 387-4549, Ext. 226.

Sincerely,

Philip J. Richard
(ae)
Philip J. Richard
District Manager

NUECES COUNTY
WATER CONTROL AND IMPROVEMENT
DISTRICT #3

P. O. Box 1147, Robstown, Texas 78380

(361) 387-4549

May 1, 2012

River Acres Water Supply Corporation
15602 Northwest Boulevard, Ste. H
Robstown, Texas 78380

Dear Board of Directors,

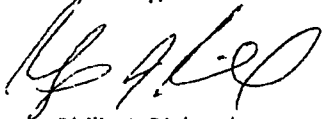
We are in receipt of your request to increase total monthly water delivery. We are going to increase delivery based on a retail customer total of 850 connections@ .6 GPM consumption rate. Under Texas Administrative Code, Title30, subsection 290.45, Minimum Water System Requirements. This would amount to 510GPM total demand rate. This will yield a daily demand of 734,400GPD, or 22,032,000 gallons/month.

The change will apply to our current contract **PART II, WATER SALES AND DELIVERY**, Section 2.01. Water Delivery :

The stated: but not to exceed 20,000,000 gallons per month will change to 22,032,000 per month. All other sections of the contract shall remain unchanged.

This should meet your current demand with some growth in customer base anticipated.

Sincerely,



Philip J. Richard
District Manager

v

AMENDMENT TO WATER SUPPLY CONTRACT

**THE STATE OF TEXAS §
§
COUNTY OF NUECES §**

KNOW ALL MEN BY THESE PRESENTS:

THIS AMENDMENT TO WATER SUPPLY CONTRACT, dated this the 25th day of November, 2014, hereinafter referred to as the "Agreement", is entered into by and between the NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3, a water control and improvement district and political subdivision of the State of Texas, organized and existing pursuant to Article XVI, Section 59 of the Texas Constitution, hereinafter referred to as the "District" or "Seller", and RIVER ACRES WATER SUPPLY CORPORATION, a Texas corporation, with its offices and principle place of business being located in Robstown, Nueces County, Texas, hereinafter referred to as "River Acres" or "Purchaser".

WITNESSETH:

WHEREAS, the District owns and operates facilities to supply, store, divert, treat, transport and deliver water to River Acres and other customers as well as to promote the health, safety and convenience of the owners and users of land located within the boundaries of the District and the service area designated in its Certificate of Convenience and Necessity ("CCN"); and,

WHEREAS, River Acres owns and operates potable water storage and distribution facilities to deliver potable water to River Acres retail customers within its service area designated in its CCN; and,

WHEREAS, the District and River Acres entered into a Water Supply Contract ("Contract") dated December 10, 2004 wherein the District agreed to sell and deliver potable water to River Acres to be used by River Acres to its retail water customers within its CCN; and,

WHEREAS, the Contract provides that contract will be effective as of December 10, 2004, and unless sooner terminated as provided in the Contract, that it shall remain in effect for a period of ten (10) years; and,

WHEREAS, the Contract provides that it may be renewed or extended for such term(s) as may be agreed upon by the parties; and,

WHEREAS, the District and River Acres desire to amend the Contract to renew or extend the Contract for an additional term of ten (10) years upon the same terms and conditions as set forth in the Contract as amended; and,

WHEREAS, the District and River Acres agree that it will be in the best interest of the parties to amend the Contract.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, and the mutual benefits, covenants and agreements contained herein, the District and River Acres hereby agree to amend the Contract as follows:

1. Article VII. GENERAL PROVISIONS, Section 7.01. Term and Renewal. is hereby amended to read as follows:

II.
GENERAL PROVISIONS

Section 7.01. Term and Renewal. This Contract shall be effective as of December 10, 2014, and, unless sooner terminated as provided herein, shall remain in effect for a period of ten (10) years (the "Renewal term"). Upon expiration of the Renewal Term, this Contract may be renewed or extended for such term(s) as may be agreed upon by Seller and Purchaser.

2. The parties agree that except as amended herein, the Water Supply Contract as previously amended, and all of the terms and conditions contained therein, shall remain in full force and effect and shall be binding upon, and a legal obligation of, the parties to said agreement.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their duly authorized officers as of the day and year first above written.

"District"

NUECES COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3

By _____
Philip Richard, District Manager

"River Acres"

By Johnny Ginn
Johnny Ginn, its President

UTILITY CONVEYANCE AGREEMENT
BETWEEN
RIVER ACRES WATER SUPPLY CORPORATION
AND
NUECES COUNTY, TEXAS

This Agreement is made and entered into effect on May 25, 2011, by and between River Acres Water Supply Corporation, a Texas corporation organized under and by virtue of Art. 1434a of Vernons Annotated Texas Civil Statutes, (herein called the "Corporation") and Nueces County, Texas, a political subdivision of the State of Texas whose address is 901 Leopard, Corpus Christi, Texas 78401 (herein called "County").

WHEREAS, Corporation was created and organized for the purpose of furnishing water to the land within its service area and is recognized as a political subdivision for certain purposes;

WHEREAS, County has received and is presently administering and completing construction of Office of Rural and Community Affairs Project No. 728125, and, in connection therewith, County has acquired ownership of a water distribution system, "Facilities," as outlined in detail in the Contract Documents, Specifications and Drawings: Proposed Water System Improvements – Twin Lakes Subdivision prepared by Naismith Engineering, Inc. and dated November 19, 2009 (hereinafter called "Plans" or "Specifications" or "Plans and Specifications");

The Distribution System includes the following:

- 150 LF 2" C-900 PVC waterlines
- 5680 LF 6" C-900 PVC waterlines
- 1 EA 6"x2" D.I.M.J. Reducer
- 8 EA. 6" D.I.M.J. Gate Valve w/valve box
- 4 EA. 6" D.I.M.J. Tee
- 6 EA. 6" D.I.M.J. 90° Bend
- 8 EA. 6" D.I.M.J. 45° Bend
- 13 EA. 6" D.I.M.J. 22.5° Bend
- 1 EA. 6" D.I.M.J. 11.25° Bend
- 1 EA. 6" D.I.M.J. long pattern sleeve
- 5 EA. Fire Hydrant Assemblies
- 90 LF. 12" Dia. High Density High Molecular Weight Polyethylene Pipe Casing
- 280 LF 6" Dia. High Density High Molecular Weight Polyethylene Pipe
- 14 EA. Single Service Connection
- 15 EA. Single Service Connection w/Road Bore
- 2660 LF ¾" treated PVC waterline

WHEREAS, the County may periodically sell the County's surplus property to another political subdivision in accordance to Chapter 263 of the Texas Local Government Code;

WHEREAS, the County desires to dispose of the Facilities as surplus property as defined by Section 263.151(2) of the Texas Local Government Code to Corporation; and

WHEREAS, the Corporation is providing water service within the County and Corporation shall provide maintenance and repair of the Facilities in exchange for the applicable conveyance of the Facilities; and

WHEREAS, the County wishes to convey and Corporation wishes to take title to such Facilities so that Corporation can provide fresh water in the service area.

NOW THEREFORE, the parties for and in consideration of the premises and of the mutual obligations, covenants, and benefits herein after set forth, agree as follows:

1. Conveyance of Utility.

County hereby sells, conveys, transfers and delivers to Corporation the improvements made as part of Office of Rural and Community Affairs Project No. 728125 at the Twin Lakes Subdivision - Water Distribution System free and clear of all liens, claims, encumbrances, options, charges, assessments, reservations, or restrictions. The improvements being conveyed hereby are more completely described in the Plans and Specifications thereof, copies of which have been filed with Corporation and which are incorporated herein by reference.

2. Assignment. County hereby assigns all of its rights pertaining to the Twin Lakes Subdivision - Water Distribution System under the Construction Contract to Corporation and agrees to make provisions for the transfer of the performance and payment bonds, and guarantees and warranties executed by the contractors and all other rights of County pursuant to the provisions of the Construction Contract.

3. Representations by County. Except for the warranties of title expressly set forth herein, and the express covenants of County set forth herein, there are no warranties given by County to Corporation, expressed or implied, and all such warranties are hereby disclaimed by County and released by Corporation.

County represents to Corporation that:

(a) Title. The Twin Lakes Subdivision - Water Distribution System is hereby conveyed to Corporation, free and clear of all liens, claims, encumbrances, options, charges, assessments, reservations, and restrictions.

(b) Rights-of-Way, Easements, Etc. County represents that the Twin Lakes Subdivision - Water Distribution System has been constructed entirely within the dedicated county and public right-of-way, except for easements previously acquired by the County. Nueces County agrees to relocate all water distribution lines, taps, valves and appurtenances at no expense to River Acres Water Supply Corporation, if roads are widened or relocated.

- (c) County Requirements. County also warrants and represents that, at the time of this conveyance, Twin Lakes Subdivision - Water Distribution System meet all requirements of the County and all other state and governmental requirements.
 - (d) Possession. County is in possession of the Twin Lakes Subdivision - Water Distribution System and no objection to the location or use of the improvements or adverse claims of title to the lands, easements, rights-of-way, licenses, permits, or leases on which the improvements are situated are presently being asserted by any person or persons.
 - (e) Legal Proceedings. There are no actions, suits, or proceedings pending or, to the knowledge of County, threatened or affecting the Twin Lakes Subdivision - Water Distribution System to be sold hereunder and there are no pending condemnation proceedings of which County is aware connected with the improvements be conveyed hereunder.
 - (f) Authorization. This Agreement, the transactions contemplated herein, and the execution and delivery of this Agreement have been duly authorized by County.
 - (g) No Violation of Other Contracts. This Agreement, and the warranties, representations, and covenants contained herein, and the consummation of the transactions contemplated herein will not violate or constitute a breach of any contract or other agreement to which County is a party.
- 4. Expenses. Except as specifically set forth herein, each party shall pay its own expenses incident to carrying this Agreement into effect and consummating all transactions contemplated hereby.
 - 5. Further Assurances. In connection with this Agreement as well as all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all the terms and provisions and conditions of this Agreement and all such transactions.
 - 6. Representations Survive Conveyance. The agreements and representations made in this Agreement by the parties to this Agreement shall survive the conveyance of the Twin Lakes Subdivision - Water Distribution System.
 - 7. Miscellaneous. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas and can be changed or terminated only by an agreement in writing signed by the parties hereto. This Agreement embodies the agreement in writing signed by the parties hereto. This Agreement embodies the entire understanding between the parties and there are no prior effective representations, warranties, or agreements between the parties.

8. Responsibilities of the Corporation. The Corporation shall comply with TCEQ and EPA water quality standards and shall be responsible for daily operations including but not limited to waterlines, leaks, customer concerns, meters, meter readings, etc. Further, the Corporation shall be responsible for all maintenance including but not limited to replacement of waterlines, valves, fittings, and meter replacement.

WITNESS the execution of this Agreement in multiple counterparts, each of equal dignity, as of the 25th day of May, 2011.

RIVER ACRES WATER SUPPLY CORPORATION

By: Johnny Ginn

Printed Name: Johnny Ginn

Title: Board President

NUECES COUNTY, TEXAS

By: Samuel L. Neal, Jr.

Printed Name: Samuel L. Neal, Jr.

Title: Nueces County Judge

THE STATE OF TEXAS

COUNTY OF NUECES

§
§

This instrument was acknowledged before me on the 27th day of May, 2011, by Johnny Ginn of River Acres WSC, a Texas corporation, on behalf of said corporation.



Tarin B. Moffitt
NOTARY PUBLIC, STATE OF TEXAS

Tarin B. Moffitt

Notary's Typed or Printed Name

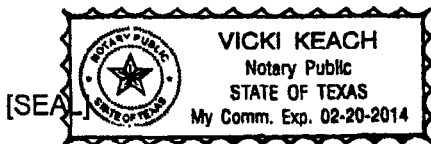
My Commission Expires: 12-3-11

THE STATE OF TEXAS

COUNTY OF Nueces

§
§

This instrument was acknowledged before me on the 25th day of May, 2011, by Samuel L. Neal, Jr. of Nueces County, Texas.



Vicki Keach
NOTARY PUBLIC, STATE OF TEXAS

Vicki Keach

Notary's Typed or Printed Name

My Commission Expires: 02-20-2014

Rates & Policies

Listed below, you will find our current rates and policies. If you do not find the information you need, please contact our office, and we will provide it to you.

Standard Residential Service Rates (3/4", 5/8", & 1" Meters)

Monthly Minimum:	\$35.00
Water included w/minimum:	2,000 gallons

Charges for water used in excess of 2,000 gallons:

2,001+ gallons	\$4.50/1,000 gallons
----------------	----------------------

*Average Billing Example:

<u>Usage (gallons)</u>	<u>Bill Total</u>
2,000	\$35.00
5,000	\$48.50
10,000	\$71.00
25,000	\$123.00
30,000	\$126.00

The average water bill during the off-peak months is: 7,300 gallons (\$58.85)

The average water bill during peak or summer months is: 16,800 gallons (\$101.60)

*There is a ½% tax imposed by the Texas Commission on Environmental Quality on all water balances.

How to Calculate A Bill:

If the meter readings show a usage of 37,400 gallons, an example of how the bill would be calculated is as follows: (Please note – Rates listed below are for example purposes only.)

1. 0-2,000 gallons are included with the monthly minimum	\$ 35.00
2. Usage between 2,000 – 38,000 is: \$4.50/1,000 (35.4 x 4.50)	\$ 159.30
3. Total water charges are sum of all of the above:	\$ 194.30

Billing Policies:

Water meters are read on or around the 15th of each month. Once all of the readings are collected and processed, a bill is generated and mailed to each account on or around the 28th of each month. The payment for that bill is then due on the 14th thereafter. Example: March 16th through April 15th billing will be due on May 14th. If the 14th falls on a weekend or holiday, then payment will be due on the next regular business day.





Hanson Professional Services Inc
1510 San Antonio St.
Austin, TX 78701
(512) 708-9322
www.hanson-inc.com

August 1, 2019

Public Utility Commission of Texas
William B. Travis Building, Congress Avenue
Austin, TX 78701

To whom this may concern:

River Acres Water Supply Corporation (RAWS) has not yet accepted their 2018 audit. Included in this submission is a draft of the 2018 Profit and Loss Statement. The 2018 audit will be forwarded to PUC upon acceptance.

Sincerely,

HANSON PROFESSIONAL SERVICES INC.

Sofia Carrillo
Engineering Intern



.. - .

River Acres Water Supply Corporation
Profit & Loss
January through December 2018

	<u>Jan - Dec 18</u>
Ordinary Income/Expense	
Income	
Income	
Capital Maintenance Fees	51,535.00
Checking Account Interest	365.29
Installation Fees	19,536.00
Water Sales	891,772.38
	<hr/>
Total Income	963,208.67
	<hr/>
Total Income	963,208.67
Cost of Goods Sold	
Cost of Goods Sold	-209.23
Water Purchases	235,633.25
	<hr/>
Total COGS	235,424.02
	<hr/>
Gross Profit	727,784.65
Expense	
Annual Professional Fees & Dues	
TCEQ	6,597.10
Texas Rural Water Association	205.00
	<hr/>
Total Annual Professional Fees & D...	6,802.10
Auto Expense	12,209.43
Contract Labor	
Chemicals Testing Expense	3,095.00
Contract Labor-Office	1,929.00
Contract Labor - System	19,100.00
Groundskeeping	5,515.00
Meter Reader	13,722.75
Contract Labor - Other	20,030.00
	<hr/>
Total Contract Labor	63,391.75
Customer Refunds	2,337.09
Customer Relations	103.55
Dues & Subscription	2,749.26
Easement Expense	3,569.55

River Acres Water Supply Corporation
Profit & Loss
January through December 2018

	<u>Jan - Dec 18</u>
Website Fees	155.78
Office Expense - Other	<u>1,269.76</u>
Total Office Expense	52,748.13
Payroll	
Payroll Salaries & Wages	
Field Manager	64,644.22
Office Manager	
Additional Hours	11,561.07
Office Manager - Other	<u>28,294.50</u>
Total Office Manager	39,855.57
Part Time Employee - Office	11,760.00
Part Time Employees - System	14,712.76
System Operator	5,769.24
Payroll Salaries & Wages - Other	<u>3,793.00</u>
Total Payroll Salaries & Wages	140,534.79
Payroll Taxes	
FICA RAWSP Portion	12,474.10
FUTA Taxes	240.54
SUTA Taxes	<u>189.02</u>
Total Payroll Taxes	12,903.66
Payroll - Other	<u>12,525.35</u>
Total Payroll	165,963.80
Professional Fees	
Accounting	13,300.00
Engineering	78,961.72
Professional Fees - Other	<u>1,000.00</u>
Total Professional Fees	93,261.72
Professional Growth	
Education & Training	955.00

River Acres Water Supply Corporation
Profit & Loss
January through December 2018

	<u>Jan - Dec 18</u>
Website Fees	155.78
Office Expense - Other	<u>1,269.76</u>
Total Office Expense	52,748.13
Payroll	
Payroll Salaries & Wages	
Field Manager	64,644.22
Office Manager	
Additional Hours	11,561.07
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Total Office Manager	39,855.57
Part Time Employee - Office	11,760.00
Part Time Employees - System	14,712.76
System Operator	5,769.24
Payroll Salaries & Wages - Other	<u>3,793.00</u>
Total Payroll Salaries & Wages	140,534.79
Payroll Taxes	
FICA RAWS Portion	12,474.10
FUTA Taxes	240.54
SUTA Taxes	<u>189.02</u>
Total Payroll Taxes	12,903.66
Payroll - Other	<u>12,525.35</u>
Total Payroll	165,963.80
Professional Fees	
Accounting	13,300.00
Engineering	78,961.72
Professional Fees - Other	<u>1,000.00</u>
Total Professional Fees	93,261.72
Professional Growth	
Education & Training	955.00

River Acres Water Supply Corporation
Profit & Loss
January through December 2018

	<u>Jan - Dec 18</u>
Fuel/Other	3,025.74
Lodging	1,991.56
Meals	760.13
Mileage	<u>4,603.90</u>
Total Professional Growth	11,336.33
Tank Maintenance	32,750.00
Water Planning Program	264.57
Water Tests/SWDA	<u>585.00</u>
Total Expense	<u>570,883.99</u>
Net Ordinary Income	156,900.66
Other Income/Expense	
Other Income	
Other Income	<u>195,458.93</u>
Total Other Income	<u>195,458.93</u>
Net Other Income	<u>195,458.93</u>
Net Income	<u><u>352,359.59</u></u>

RIVER ACRES WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED DECEMBER 31, 2017



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

**RIVER ACRES WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED DECEMBER 31, 2017**

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Schedule of Functional Expenses.....	11



418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The River Acres Water Supply Corporation's 2016 financial statements were audited by a predecessor auditor with a report dated August 29, 2017. That report 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
Corpus Christi, Texas
August 10, 2018

RIVER ACRES WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	951,670	915,466
Accounts Receivable, net of allowance for doubtful accounts	86,688	110,174
Accounts Receivable, other	4,631	4,564
Inventory	8,673	8,673
Prepaid Expenses	18,028	14,505
Total Current Assets	<u>1,069,690</u>	<u>1,053,382</u>
Restricted Cash	62,745	10,901
Property and Equipment, Net (Note 2)	<u>848,873</u>	<u>915,705</u>
Total Assets	<u><u>1,981,308</u></u>	<u><u>1,979,988</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	112,972	119,019
Accrued Expenses	21,035	19,497
Total Current Liabilities	<u>134,007</u>	<u>138,516</u>
Total Liabilities	<u>134,007</u>	<u>138,516</u>
Net Assets		
Temporarily Restricted (Note 6)	62,745	10,901
Unrestricted	1,784,556	1,830,571
Total Net Assets	<u>1,847,301</u>	<u>1,841,472</u>
Total Liabilities and Net Assets	<u><u>1,981,308</u></u>	<u><u>1,979,988</u></u>

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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES:				
Water Sales and Related Revenues	845,945	-	845,945	836,872
Assessment Fees - Capital Maintenance	-	51,844	51,844	50,695
Membership Contributions (Refunds)	-	-	-	10,600
Net Assets Released from Restrictions	-	-	-	-
Total Revenue	<u>845,945</u>	<u>51,844</u>	<u>897,790</u>	<u>898,167</u>
EXPENSES:				
Operating Expenses (See page 11)	825,130	-	825,130	658,353
Depreciation and Amortization	66,831	-	66,831	63,940
Total Expenses	<u>891,961</u>	<u>-</u>	<u>891,961</u>	<u>722,293</u>
Increase (Decrease) in Net Assets	(46,015)	51,844	5,829	175,874
Net Assets, beginning of year	<u>1,830,571</u>	<u>10,901</u>	<u>1,841,472</u>	<u>1,665,598</u>
Net Assets, end of year	<u><u>1,784,556</u></u>	<u><u>62,745</u></u>	<u><u>1,847,301</u></u>	<u><u>1,841,472</u></u>

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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	921,276	879,157
Cash payments to suppliers for goods and services	(649,744)	(505,626)
Cash payments to employees for services	(183,484)	(140,149)
Net cash provided by operating activities	<u>88,048</u>	<u>233,382</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions/refunds	-	10,600
Net cash provided by financing activities	<u>-</u>	<u>10,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(142,835)
Net cash used by financing activities	<u>-</u>	<u>(142,835)</u>
 Net increase (decrease) in cash and cash equivalents	 88,048	 101,147
CASH AND CASH EQUIVALENTS		
Beginning of year	926,367	825,220
End of year	<u><u>1,014,415</u></u>	<u><u>926,367</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	5,829	165,274
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	66,831	63,940
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	23,486	(8,410)
(Increase) Decrease in Other Receivables	(67)	-
(Increase) Decrease in Inventory	-	2,664
(Increase) Decrease in Prepaid Expense	(3,523)	(697)
Increase (Decrease) in Accounts Payable	(6,047)	4,862
Increase (Decrease) in Accrued Expenses	1,538	5,749
Net Cash Provided (Used) by Operating Activities	<u><u>88,048</u></u>	<u><u>233,382</u></u>

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

RIVER ACRES WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

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 three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management’s discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents 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. River Acres Water Supply Corporation has no permanently restricted net assets.

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, 2017 and 2016, the cash in bank balances were not fully covered by FDIC insurance (See Note 5).

RIVER ACRES WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

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, 2017.

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)(3). 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, 2016, from which the summarized information was derived.

RIVER ACRES WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

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.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of:

	2017	2016
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	230,685	230,685
Total	2,309,587	2,309,587
Less: Accumulated Depreciation	1,460,714	1,393,882
Total Property and Equipment, Net	<u>848,873</u>	<u>915,705</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 \$66,831 for 2017 and \$63,940 for 2016.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	2017	2016
Customer Accounts Receivable	98,788	122,274
Less: Allowance for Uncollectible Accounts	(12,100)	(12,100)
Total Accounts Receivable	<u>86,688</u>	<u>110,174</u>

RIVER ACRES WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

NOTE 4 – COMMITMENTS UNDER OPERATING LEASES

The Company leases office space under a lease with a two year agreement that expired July 31, 2017 at a rate of \$1,020.78 per month. This lease was extended an additional two years, expiring on July 31, 2019, at the rate of \$1,020.78 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.

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

Year Ending		2017	2016
	2016	-	16,652
	2017	17,797	16,423
	2018	15,736	15,736
	2019	9,179	9,179
	2020	-	-
	Total Minimum Leases	<u>42,712</u>	<u>57,990</u>

Total rent paid for the year ended December 31, 2017 and 2016, totaled \$17,797 and \$16,423, respectively.

NOTE 5 – 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 \$86,688 at December 31, 2017 and \$110,174 at December 31, 2016.

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, 2017 and 2016, deposits are underinsured by \$777,076 and \$529,841, respectively.

NOTE 6 – 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 \$62,745 in 2017 and \$10,901 in 2016.

RIVER ACRES WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

NOTE 7 – 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, 2017 and 2016, there were no contributed services or supplies that are recognized in the financial statements.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 10, 2018, which is the date the financial statements were available to be issued.

NOTE 9 – 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 \$51,380 and \$94,088 in 2017 and 2016, respectively. Amounts owed at 2017 and 2016 totaled \$4,320 and \$8,520, respectively.

Additionally, in 2014 a project was approved for extensive improvements to the infrastructure of River Acres Water Supply Corporation. As of the report date, no debt has been incurred and with the exception of engineering cost, no substantial improvements have been incurred in relation to this project.

RIVER ACRES WATER SUPPLY CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	2017 Totals	2016 Totals
OPERATING EXPENSES:		
Water Purchases	240,659	235,181
Professional Fees	99,059	18,641
Repairs and Maintenance	174,423	145,283
Electricity, Plants and Pumps	13,229	8,831
Occupancy	21,403	20,925
Office	44,119	51,511
Administrative Costs	5,168	5,349
Insurance	24,105	22,653
Salaries and Contract Labor	172,159	129,521
Payroll Taxes	11,325	10,628
Vehicle and Fuel Expense	15,297	5,395
Travel and Meals	4,183	4,435
	<u>825,130</u>	<u>658,353</u>
Total	<u>825,130</u>	<u>658,353</u>

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





418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
River Acres Water Supply Corporation
Corpus Christi, Texas

This letter is intended to inform the Board of Directors of River Acres Water Supply Corporation (the Organization) about significant matters related to the conduct of the annual audit for the year ended December 31, 2017, so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Board of Directors.

The Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of River Acres Water Supply Corporation for the year ended December 31, 2017 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events and certain assumptions about future events. Management has informed us it used all the relevant facts available to it at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include such items as allowance for uncollectible accounts receivable, allocation of costs on a functional basis, and the estimated useful lives of capital (fixed) assets.

Audit Adjustments

There were a number of audit adjustments made to the original trial balance presented to us to begin our audit. The Organization's management has reviewed and approved the inclusion of

these adjustments in the Organization's financial statements. The adjustments consisted primarily of adjustments of depreciation expense, adjusting cash account to bank reconciliation, and adjusting beginning net assets.

Uncorrected Misstatements

There were no uncorrected misstatements noted during the audit.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The Organization did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

This information is intended solely for the use of the Board of Directors and management of River Acres Water Supply Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
August 10, 2018



Application Affidavit

THE STATE OF TEXAS	\$
COUNTY OF <u>Nueces</u>	\$
APPLICANT <u>River Acres WSC</u>	\$

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Darrell Dusek as the Authorized Representative of the River Acres Water Supply Corporation, who being by me duly sworn, upon oath says that:

1. The decision by the River Acres Water Supply Corporation (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the River Acres Water Supply Corporation (authority, city, county, corporation, district).

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The River Acres Water Supply Corporation (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").

None

4. The River Acres Water Supply Corporation (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance: and

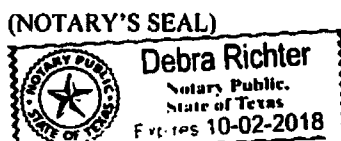
5. the River Acres Water Supply Corporation (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Official Representative

Title: Secretary

SWORN TO AND SUBSCRIBED BEFORE ME, by Darrell Dusek
on this 7th day of February, 2018.

Debra Richter
Notary Public, State of Texas



**CERTIFICATE OF CORPORATE RESOLUTIONS
OF
RIVER ACRES WATER SUPPLY CORPORATION**

The undersigned, Darrell Dusek, Secretary of River Acres Water Supply Corporation, a Texas nonprofit corporation, (hereinafter called the "Corporation"), hereby certifies that:

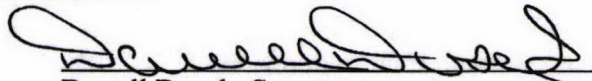
1. Exhibit "A", attached hereto, is a true and correct abstract from the records of the Corporation showing Resolutions duly adopted at a meeting of its Board of Directors duly called and held on August 13, 2018, at which a quorum was present and acting throughout, which Resolutions have not been in any way amended or modified and are in full force and effect the date hereof.
2. Kyle Clark is authorized to execute and deliver the instruments referred to in the Resolutions contained in Exhibit "A" attached hereto, has been duly qualified and this day is President of the Corporation, and the signature below set opposite his name and office is his true and genuine signature:

Kyle Clark

President:



IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Corporation this 30th day of June, 1998.


Darrell Dusek, Secretary

I, Kyle Clark, President of the above named Corporation, do hereby certify that Darrell Dusek has been duly elected, has duly qualified and this day is the Secretary of said Corporation and that the signature above is his genuine signature.

WITNESS MY HAND, this the 13th day of August, 2018.

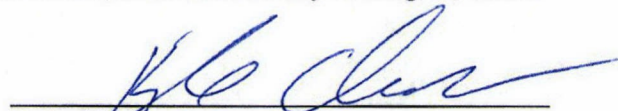

Kyle Clark

EXHIBIT "A"

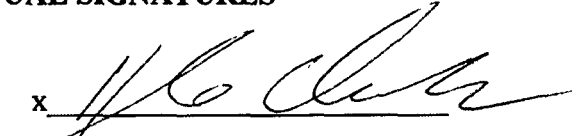
RESOLUTIONS

BE IT RESOLVED, that **any one** (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITIONS	ACTUAL SIGNATURES
-------	-----------	-------------------

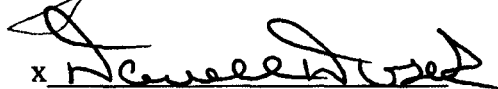
Kyle Clark	President	
------------	-----------	--

x



Darrell Dusek	Secretary	
---------------	-----------	--

x



acting for and on behalf of the Corporation and as its act and deed be, and they hereby are, authorized and empowered to:

Borrow Money. To borrow from time to time from TEXAS WATER DEVELOPMENT BOARD ("Lender"), on such terms as may be agreed upon between the Corporation and Lender, the sum of \$3,620,000 to be used by the Corporation to finance certain water system improvements in the Corporation's service area.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of credit accommodations of the Corporation, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any indebtedness of the Corporation to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, re-financings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced, any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of loan agreement, mortgage, promissory note, deed of trust, pledge agreement, hypothecation agreement, loan forgiveness agreement, escrow agreement and other security agreements and financing statements which may be submitted by Lender, and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which they may in their discretion deem reasonably necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these Resolutions and performed prior to the passage of these Resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Lender may rely on these Resolutions until written notice of their revocation shall have been delivered to Lender and receipt acknowledged by Lender in writing. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

BE IT FURTHER RESOLVED, that the Corporation will notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (a) change in the name of the Corporation, (b) change in the assumed business name(s) of the Corporation, (c) change in the management of the Corporation, (d) change in the authorized signer(s), (e) conversion of the Corporation to a new or different type of business entity, or (f) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the name of the Corporation will take effect until after Lender has been notified.

FURTHER RESOLVED, that the Secretary of the Corporation, Darrell Dusek, be and he is hereby authorized to certify to Texas Water Development Board and such other persons or firms as she deems necessary or advisable, the foregoing resolutions and the name of the officer or agent for the Corporation authorized to sign for it, together with a specimen of his signature.





Principal Forgiveness Agreement Drinking Water State Revolving Fund

TEXAS WATER DEVELOPMENT BOARD

AND

RIVER ACRES WATER SUPPLY CORPORATION

NUECES COUNTY, TEXAS

TWDB COMMITMENT NO. LF1000736

TWDB PROJECT NO. 62773 (IUP FISCAL YEAR 2018)

TWDB RESOLUTION NO. 18-034

CFDA # 66.468

RIVER ACRES WATER SUPPLY CORPORATION
TWDB COMMITMENT NO. LF1000736
TWDB PROJECT NO. 62773
TWDB RESOLUTION NO. 18-034

PRINCIPAL FORGIVENESS AGREEMENT

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EXHIBITS

TWDB Resolution No. 18-034.....	EXHIBIT A
River Acres Water Supply Corporation's Resolution	EXHIBIT B
List of Federal Laws and Authorities (Cross-Cutters)	EXHIBIT C
Davis-Bacon Contract and Subcontract Provisions.....	EXHIBIT D
Project Schedule	EXHIBIT E
Project Budget.....	EXHIBIT F
Escrow Agreement.....	EXHIBIT G

**PRINCIPAL FORGIVENESS AGREEMENT
BETWEEN THE
TEXAS WATER DEVELOPMENT BOARD
AND THE
RIVER ACRES WATER SUPPLY CORPORATION**

WHEREAS, the River Acres Water Supply Corporation, located in Nueces County, Texas (Corporation) has filed an application with the Texas Water Development Board (TWDB) for financial assistance in the amount of \$7,778,400 from the Drinking Water State Revolving Fund (DWSRF) to finance water system improvements identified as Project No. 62773; and

WHEREAS, on March 21, 2018, the TWDB determined that the Corporation qualifies for principal forgiveness because it meets Green Project requirements pursuant to 31 TAC § 371.17, and the criteria set forth in the 2018 DWSRF Intended Use Plan (IUP) and agreed, pursuant to the TWDB Resolution to provide financial assistance in the amount of \$7,778,400 to the Corporation and further agreed that \$623,400 will be forgiven; and

WHEREAS, the TWDB and the Corporation are the Parties to this Agreement.

NOW, THEREFORE, the Parties mutually agree to adhere to the terms of this Agreement and to administer the Principal Forgiveness Funds provided through this Agreement in conformance with all applicable state and federal laws and regulations, the TWDB Resolution, and all terms and conditions set forth herein.

ARTICLE I. DEFINITIONS

The following terms, as used in this Agreement, have the meanings assigned below:

Agreement means this Principal Forgiveness Agreement and the attached exhibits.

CFR means the Code of Federal Regulations.

Commitment means an offer by the Board to provide financial assistance to an Applicant as evidenced by a Board resolution.

Construction Account means an account dedicated to the payment of Project costs, as defined by 31 TAC § 371.1(16) and required by the TWDB Resolution.

DWSRF means the Drinking Water State Revolving Fund, a program of financial assistance administered by the TWDB for water projects pursuant to the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*; applicable federal regulations; Texas Water Code, Chapter 15, §§ 15.601 – 15.618; and 31 TAC Chapter 371.

Eligible Expenses means the expenses allowed by TWDB program requirements and authorized by the TWDB in the approved Project Budget.

EPA means the U.S. Environmental Protection Agency.

Escrow Account means an account established by the Corporation that will be used to manage the Principal Forgiveness Funds in accordance with an escrow agreement acceptable to the Executive Administrator, which is attached hereto as **EXHIBIT G**, until such time as the Executive Administrator authorizes the release of the Principal Forgiveness Funds to the Construction Account.

Executive Administrator means the Executive Administrator of the TWDB or designated representative.

Financial Assistance means funding made available to eligible Applicants as authorized in 40 CFR § 35.3525, including principal forgiveness.

Force Majeure means acts of god, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other incapacities of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such incapacity, which by the exercise of due diligence and care such party could not have avoided.

Green Project means a project or portion of a project that meets the EPA criteria for inclusion in the Green Project Reserve, including green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Green Project Reserve means the equivalent amount of the EPA capitalization grant that is reserved for projects that meet the EPA's criteria for green projects.

IUP means the Intended Use Plan, State Fiscal Year 2018, approved by the TWDB and the EPA in which the Project was prioritized for funding.

Obligations means the Promissory Notes and execution of the following taxable Loan Agreements: \$3,620,000 in 2018, \$1,750,000 in 2019, and \$1,785,000 in 2020, together with all authorizing documents, which evidence the portion of the financial assistance that is not forgiven, identified as LM18763, LM19764, and LM20765.

Outlay Report means the TWDB form regarding the total amount of costs incurred by the Corporation relating to the Project for the specified period.

Parties or Party means the TWDB and the Corporation and their authorized successors and assignees.

Principal Forgiveness Funds means the portion of the Financial Assistance that is forgiven identified as LF1000736, in an amount not to exceed \$623,400.

Project means the project for which the TWDB is providing financial assistance under this Agreement and as further described in the TWDB Resolution and identified as Project No. 62773.

State means the State of Texas.

TWDB Resolution means TWDB Resolution No. 18-034, dated March 21, 2018, approving the application for financial assistance filed by the Corporation and authorizing the execution of this Agreement.

ARTICLE II. AUTHORITY AND RECITALS

2.01. AUTHORITY. This Agreement is authorized and required by the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and is also governed by terms of the IUP; Texas Water Code, Chapter 6; Texas Water Code; Chapter 15, §§ 15.601 – 15.618; 31 TAC Chapter 371; and the TWDB Resolution.

2.02. RECITALS. The Parties agree that the following representations are true and correct and form the basis of this Agreement:

- A. The TWDB may provide financial assistance in the form of additional subsidization, such as principal forgiveness, for all or a portion of the Project costs in an amount which the TWDB has determined to be eligible.
- B. On March 21, 2018, the TWDB considered an Application filed by the Corporation for financial assistance from the DWSRF program. Based on the representations made by the Corporation in that Application, the TWDB adopted the TWDB Resolution in which the TWDB:
 - 1. determined that the Corporation qualifies for principal forgiveness and is eligible for financial assistance; and
 - 2. made a commitment to provide financial assistance in the form of multi-year loans in an aggregate amount not to exceed \$7,778,400 for the planning, acquisition, design, and/or construction of the Project and to provide additional subsidization in the form of principal forgiveness to the

Corporation in an amount not to exceed \$623,400 as Principal Forgiveness Funds without the expectation of repayment.

- C. The TWDB and the Corporation enter this Agreement to memorialize and set forth the terms and conditions for the Principal Forgiveness Funds in an amount not to exceed \$623,400. The Executive Administrator is authorized to execute this Agreement on behalf of the TWDB pursuant to the TWDB Resolution, which is attached to this Agreement as **EXHIBIT A**. The Corporation is authorized to execute this Agreement through its authorized representative designated in a resolution duly adopted by the governing body of the Corporation, a copy of which is attached hereto as **EXHIBIT B**.
- D. Nothing in this Agreement supersedes or affects any provisions of the Obligations relating to the Financial Assistance amount not forgiven.

ARTICLE III. LEGAL REQUIREMENTS

3.01. APPLICABLE LAWS. In consideration of the performance of the mutual agreements set forth in this Agreement, the Corporation, by and through its designated and authorized representatives, agrees to plan, design, and/or construct the Project in compliance with the following:

- A. the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and the EPA regulations at 40 CFR Part 35;
- B. all federal laws and regulations identified on **EXHIBIT C**;
- C. Texas Water Code; Chapter 15, §§ 15.601 – 15.618;
- D. 30 TAC Chapter 290; and
- E. 31 TAC Chapter 371.

3.02. LABOR STATUTES AND REGULATIONS. The Corporation agrees to comply with the following statutes and regulations, and shall execute the certifications required by the TWDB related to same. Further, the Corporation shall ensure that each contract for work on the Project shall also contain the following requirements:

- A. Equal Employment Opportunity. The Corporation shall comply with Executive Order 11246 of September 24, 1965, entitled “Equal Employment Opportunity,” as amended by Executive Order 11375 of October 13, 1967, and U.S. Department of Labor regulations at 41 CFR Chapter 60, relating to Office of Federal Contract Compliance, EEO. The Corporation shall include this provision in any contract or subcontract in excess of \$10,000 as required by 40 CFR § 31.36.

- B. Davis-Bacon Act Wage Rates. In accordance with the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and the applicable IUP, the Corporation, its contractors and its subcontractors, for the Project that is funded in whole or in part with Principal Forgiveness Funds, shall pay all laborers and mechanics at rates not less than those prevailing on similar projects in the same locality, as determined by the U.S. Secretary of Labor's Wage and Hour Division, in conformance with the Davis-Bacon Act, 40 U.S.C. §§ 3141 - 3148, 29 CFR Part 5, relating to Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction, and 29 CFR Part 3, relating to Contractors and Subcontractors on Public Work Financed in Whole or in Part by Loans or Grants from the United States. All contracts and subcontracts for the construction of the Project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as attached hereto as **EXHIBIT D**.
- C. Contract Work Hours and Safety Standards Act. The Corporation shall ensure that its contractors and subcontractors comply with the Contract Work Hours and Safety Standards Act, 40 U.S.C. §§ 3701 - 3708 and 29 CFR Part 5.

3.03. NO LOBBYING. The Corporation agrees to comply with 40 CFR Part 34, relating to New Restrictions on Lobbying. The Corporation understands and agrees that none of the Principal Forgiveness Funds provided under this Agreement shall be expended to pay any person for influencing or attempting to influence an officer or employee of any federal entity, or a Member of Congress, with regard to the awarding of any federal contract, federal grant, federal loan, or the extension, continuation, renewal, amendment or modification of any federal contract, loan, or grant. The Corporation shall require that all contracts in excess of \$100,000 for work implementing the Project contain the following statement: IN ACCORDANCE WITH THE BYRD ANTI-LOBBYING AMENDMENT, ANY RECIPIENT WHO MAKES A PROHIBITED EXPENDITURE UNDER TITLE 40 CFR PART 34 OR FAILS TO FILE THE REQUIRED CERTIFICATION OR LOBBYING FORMS SHALL BE SUBJECT TO A CIVIL PENALTY OF NOT LESS THAN \$10,000 AND NOT MORE THAN \$100,000 FOR EACH SUCH EXPENDITURE.

3.04. IRON AND STEEL. The Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States as required by 31 TAC § 371.4, related EPA SRF Policy Guidelines and the TWDB American Iron and Steel Guidance, unless the Corporation has requested and obtained a waiver from EPA pertaining to the Project. This section applies in a manner consistent with United States obligations under international agreements. If the Corporation is a signatory to such an agreement, then the Corporation is under the obligation to determine its applicability and requirements and document the actions taken to comply for the TWDB.

3.05. PROCUREMENT. The Corporation shall comply with the following when procuring goods and services for work on the Project according to the requirements in this section.

- A. Debarred and Suspended Vendors. Prior to selecting any contractor, the Corporation shall ensure that the contractor is not listed on the federal Excluded Parties List System and is not suspended or disbarred by either the State or the federal government. See the following websites for lists of suspended and debarred federal and State vendors:
[www.window.state.tx.us/procurement/prog/vendor performance/debarred](http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred) and www.sam.gov.
- B. State Procurement Requirements. All purchases for goods, services or commodities made with funds provided under this Agreement shall comply with State and local procurement and contracting laws.
- C. Disadvantaged Business Enterprises. The Corporation agrees to comply with 40 CFR Part 33, relating to Participation by Disadvantaged Business Enterprises in United States Environmental Protection Agency Programs.

3.06. FINANCIAL, MANAGERIAL AND TECHNICAL CAPABILITIES. The Corporation covenants to maintain its technical, financial, and managerial capability to ensure compliance with the Safe Drinking Water Act § 300-j12.

ARTICLE IV. CONSTRUCTION

4.01. PROJECT REQUIREMENTS. The Corporation shall comply with the following requirements:

- A. Plans and Specifications. The Corporation shall construct the Project in accordance with the plans and specifications as sealed by a State licensed engineer and as approved by the Executive Administrator in compliance with 31 TAC §§ 371.60 – 371.62.
- B. Changes to Plans and Specifications. The Corporation shall not make or implement any changes to the scope of the Executive Administrator's approved Project or to the specifications for the Project including, but not limited to, changes to the Green Project Reserve portion of the Project without the written approval of the Executive Administrator.
- C. Project Schedule. The Corporation shall adhere to the TWDB approved Project schedule, attached as **EXHIBIT E**, and shall timely and expeditiously use funds and complete the Project. The Corporation shall not exceed or revise the Project schedule except upon written approval from the TWDB. The Corporation shall not delay the Project completion date except by Amendment to this Agreement.

- D. Project Budget. The Corporation shall be solely responsible for all costs that exceed the TWDB approved Project budget, attached as **EXHIBIT F**. The Corporation shall notify the Executive Administrator immediately when it appears that the Project budget may not be sufficient to complete the Project. The Corporation shall not exceed the Project budget except by Amendment to this Agreement.
- E. Environmental Compliance. The Corporation shall comply with all environmental conditions and shall implement environmental mitigation measures as required through TWDB environmental review under 31 TAC Chapter 371, Subchapter E.

4.02. PROGRESS REPORTS. The Executive Administrator may request reports on the progress of the Project at any time. The reports shall contain information as directed by the Executive Administrator and shall be submitted periodically as requested. The Corporation shall respond as requested and a failure to respond may result in withholding the release of funds from the Escrow Account.

ARTICLE V. SPECIAL COVENANTS AND REPRESENTATIONS

5.01. CONDITIONS FOR DISBURSEMENT OF PRINCIPAL FORGIVENESS FUNDS. No Principal Forgiveness Funds shall be deposited into the Escrow Account or released until the applicable requirements and conditions in the TWDB Resolution and 31 TAC § 371.72, relating to Disbursement of Funds, are met. Construction funds shall not be released unless the Corporation has complied with 31 TAC Chapter 371, Subchapter E, relating to Environmental Reviews and Determinations, and 31 TAC §§ 371.60 – 371.62, relating to Engineering Review and Approval. If other conditions affect the release of funds, the Parties agree to negotiate in good faith regarding any new or different terms or conditions that become applicable to the release of Principal Forgiveness Funds.

5.02. DELIVERY OF PRINCIPAL FORGIVENESS FUNDS. The TWDB shall deposit the Principal Forgiveness Funds in an approved Escrow Account to be released to the Corporation's Construction Account at the direction of the Executive Administrator.

- A. Outlay Reports and Invoices. The Corporation shall submit the following documentation:
 - 1. TWDB Outlay Report forms identifying:
 - a. the total amount of expenses incurred by the Corporation for the period covered by the Outlay Report; and
 - b. invoices, receipts or other documentation satisfactory in form and in substance to the TWDB sufficient to establish the requested amount as an eligible expense incurred by the Corporation.

2. Outlay Report forms are due to TWDB quarterly during the planning, acquisition and design phases and monthly during the construction phase of the Project until the completion of the Project.

B. Release from Escrow Account. The Executive Administrator shall authorize the release of Principal Forgiveness Funds from Escrow when Outlay Reports have been approved by the TWDB.

5.03. INELIGIBLE EXPENSES. The Corporation must use Principal Forgiveness Funds for Eligible Expenses. The Corporation must return any Principal Forgiveness Funds that are used for expenses that cannot be verified as eligible or that are ineligible. The amount of Principal Forgiveness Funds used for any ineligible or unverified expenses shall be credited against verified Eligible Expenses. If the total amount of Eligible Expenses is insufficient to fully offset the amount of improperly expended Principal Forgiveness Funds, the Corporation must use other funds to fully repay the TWDB.

5.04. FINAL ACCOUNTING. The Corporation shall provide a final accounting of funds expended on the Project pursuant to 31 TAC § 371.85 and return any remaining Principal Forgiveness Funds in a manner determined by the Executive Administrator.

5.05. LEGAL STATUS. The Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.

5.06. WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN. If applicable, the Corporation shall adopt and implement a water conservation and drought contingency plan that complies with Texas Water Code §§ 11.1271 and 11.1272 and 31 TAC §§ 363.15 and 371.34.

5.07. WATER AUDIT. If the Corporation is a retail public utility as defined in Texas Water Code § 13.002 and the Corporation provides potable water, then the Corporation annually shall perform and file a water audit computing the Corporation's most recent annual system water loss with the TWDB. The first water audit shall be submitted by May 1st following the passage of one year after the effective date of this Agreement and then by May 1st every year thereafter during the term of this Agreement. The Corporation agrees to comply with 31 TAC § 358.6 relating to water audits.

5.08. REGISTRATION REQUIREMENT. Pursuant to the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252, the Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall maintain registration in the System for Award Management (SAM).

5.09. ANNUAL FINANCIAL AUDIT. During the Term of this Agreement, the Corporation shall submit an annual audit of the general purpose financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) by a certified public accountant or licensed public accountant. Audits shall be submitted to the TWDB no later than 120 days after the close of the Corporation's fiscal year.

5.10. INVESTMENT AND COLLATERALIZATION OF PUBLIC FUNDS. Financial Assistance funds are public funds and, as such, these funds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

5.11. SPECIAL CONDITIONS. prior to the release of funds, the Corporation shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule.

ARTICLE VI. NON-PERFORMANCE AND REMEDIES

6.01. STOP WORK ORDERS.

- A. **Stop Work Order (SWO).** The Executive Administrator may issue a written SWO to the Corporation at any time for failure to comply with any provision of this Agreement. The SWO shall provide the Corporation with notice of the facts supporting the determination to issue the SWO. The SWO may require cessation of work immediately or at a definite future date. The SWO shall provide the Corporation with a specified time to cure.
- B. **Corporation's Response.** The Corporation shall provide a written response to the SWO and shall provide the Executive Administrator with a detailed plan to address and cure the conditions causing the SWO. The Corporation shall provide the response within five business days from its receipt of the SWO.
- C. **Executive Administrator's Reply.** The Executive Administrator may accept, reject or amend the Corporation's plan and shall provide notice of such action to the Corporation within five business days of receipt of the plan. The Executive Administrator may issue an amended SWO that allows resumption of work contingent upon the Corporation's execution of the plan to cure. The Executive Administrator may modify the Corporation's plan to cure only in a manner consistent with the terms and conditions of this Agreement.
- D. **Corporation's Option.** The Corporation shall notify the Executive Administrator within five business days whether it accepts the amended plan. If the Corporation does not accept the amended plan, the Executive Administrator may terminate