

Caddo Basin SUD

Standard Residential Service Rates

Monthly Minimum:	\$20.10
Water Included w/ Minimum Bill:	0 gallons
Tier (gal.):	\$/1,000 gal.:
0-10,000	\$5.18 per 1,000 gallons
over 10,000 gallons	\$8.39 per 1,000 gallons

Ref: <https://caddobasin.com/rates-and-policies> 12/19/2019

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City of Josephine Water Rates

Standard Water Utility Billing Rates (Inside City Limits): “5/8” Meter

Monthly Minimum Water Bill (Includes 0-3,000 Gallons of Water)...\$39.48

Water Usage Between 3,001-10,000 Gallons of Water...\$6.75 per 1,000 Gallons

Water Usage Over 10,000 Gallons of Water...\$8.84 per 1,000 Gallons

Standard Water Utility Billing Rates (Outside City Limits): “5/8” Meter

Monthly Minimum Water Bill (Includes 0-3,000 Gallons of Water)...\$45.40

Water Usage Between 3,001-10,000 Gallons of Water...\$7.76 per 1,000 Gallons

Water Usage Over 10,000 Gallons of Water...\$10.17 per 1,000 Gallons

Standard Water Utility Billing Rates (Inside City Limits): “1” Meter

Monthly Minimum Water Bill (Includes 0-3,000 Gallons of Water): ...\$63.24

Water Usage Between 3,001 – 10,000 Gallons of Water...\$6.75 per 1,000 Gallons

Water Usage Over 10,001 Gallons of Water...\$8.84 per 1,000 Gallons

Standard Water Utility Billing Rates (Multi Meter):

Monthly Minimum Water Bill (Includes 0-3,000 Gallons of Water):....\$76.01

Water Usage Between 3,000 – 10,000 Gallons of Water ...\$6.75 per 1,000 Gallons

Water Usage Over 10,001 Gallons of Water...\$8.84 per 1,000 Gallons

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NEVADA SPECIAL UTILITY DISTRICT

Financial Statements
(With Auditor's Report Thereon)

September 30, 2016

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Collin

I, Debra Caldwell of the
(Name of Duly Authorized District Representative)

Nevada Special Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 12th day of December, 2016 its annual audit report for the fiscal year or period ended September 30, 2016 and those copies of the annual audit report have been filed in the district office, located at:

108 N. Warren Street, Nevada Texas 75173

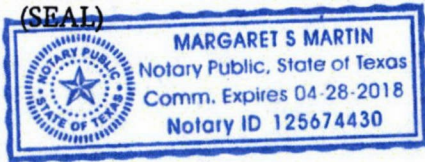
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 1-4-17 By: Debra Caldwell
(Signature of District Representative)

Debra Caldwell, President, Nevada Special Utility District Board of Directors
(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 4th day of January, 2017



Margaret Martin
(Signature of Notary)

My Commission Expires On: April 28, 2018
Notary Public in the State of Texas.



Nabors CPA Services, P.C.
CERTIFIED PUBLIC ACCOUNTANT
AUDIT, TAX AND CONSULTING SERVICES

(972) 464-1226
8765 Stockard Drive, Suite 404
Frisco, Texas 75034

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Special Utility District
Nevada, Texas 75173

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Nevada Special Utility District as of and for the nine months ended September 30, 2016, and the related notes to the financial statements as listed in the table of contents.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member of:
American Institute of CPAs
Texas Society of CPAs

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada Special Utility District as of September 30, 2016, and the changes in financial position and cash flows thereof for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Special Utility District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Nabors CPA Services, P.C.

October 21, 2016

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the Nevada Special Utility District, we offer readers of the Nevada Special Utility District's financial statements this narrative overview and analysis of the financial activities of the Nevada Special Utility District for the nine months ended September 30, 2016.

Financial Highlights

- The assets of the Nevada Special Utility District exceeded its liabilities at the close of the most recent fiscal year by \$1,740,074 (net position). Of this amount \$766,816, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Nevada Special Utility District's proprietary fund reported ending fund balance of \$1,740,074, an increase of \$503,196 in comparison with the prior year. Of this balance, \$766,816 is available for spending at the government's discretion (unrestricted). Unrestricted fund balance represents 150 percent of proprietary fund expenses. At the close of the current fiscal year, the Nevada Special Utility District's proprietary fund had a current ratio of approximately 18:1, based on the current assets of \$952,056 and current liabilities of \$52,937.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Nevada Special Utility District's basic financial statements.

Proprietary funds. The Nevada Special Utility District maintains one proprietary fund. *Proprietary funds* are used to report the same functions presented as business-type activities. The Nevada Special Utility District uses a proprietary fund to account for its Water operations.

The basic proprietary fund financial statements can be found on pages 10-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

A portion of the Nevada Special Utility District's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Nevada Special Utility District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Nevada Special Utility District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Nevada Special Utility District - Net Position

	Business-Type Activities
Current and other assets	\$ 952,056
Capital Assets	<u>1,480,423</u>
Total assets	<u>2,432,479</u>
Long-term liabilities	639,468
Current liabilities	<u>52,937</u>
Total liabilities	<u>692,405</u>
Net position:	
Invested in capital assets net of related debt	973,258
Unrestricted	<u>766,816</u>
Total net position	\$ <u>1,740,074</u>

Business-type Activities:

- Total revenues increased by \$182,214 (27%) during the year while expenses increased by \$33,262 (7%).

Nevada Special Utility District - Changes in Net Position

	Business-Type Activities
Revenues:	
Program Revenues	
Charges for services	<u>878,588</u>
Total revenues	<u>878,588</u>
Expenses:	
Water Utilities	<u>629,236</u>
Total expenses	<u>629,236</u>
Operating Income	<u>249,352</u>
Non-operating Revenues (Expenses)	
Investment Income	2,519
Interest Expense	(16,933)
Transfers in (out)	<u>268,258</u>
Total Non-operating Revenues (Expenses)	<u>253,844</u>
Net Increase (Decrease) in Net Position	503,196
Net position - beginning (as restated)	<u>1,236,878</u>
Net position - ending	<u>1,740,074</u>

Financial Analysis of the Government's Funds

As noted earlier, the Nevada Special Utility District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund. The Nevada Special Utility District's proprietary fund provide the same type of information found in business-type activities, but in more detail.

Unrestricted net position of the Proprietary Fund at the end of the year amounted to \$766,816. The total increase in unrestricted net position of the Proprietary Fund was \$503,196. The factors concerning the finances of this fund have already been addressed in the discussion of the Nevada Special Utility District's business type activities.

Proprietary Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$237,151, and expenditures were more than budgetary estimates by \$173,447. The budget had called for a \$185,648 increase in fund balance, however, more than budgeted revenues resulted in \$503,196 increase to fund balance.

Capital Assets and Debt Administration

Capital Assets. The Nevada Special Utility District's investment in capital assets for its business-type activities as of September 30 2016, amounts to \$1,480,423 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

1. System and improvements totaling \$243,827 were added to the Proprietary Fund capital assets.

Additional information on the Nevada Special Utility District's capital assets can be found in Note 2 on page 16 of this report.

Long-term debt. The District has outstanding debt used to finance construction of water system infrastructure..

Additional information on the Nevada Special Utility District long-term debt can be found in Note 4 on pages 17 of this report.

The Budget, Economic Environment, and Rates

The 2017 budgeted revenues and expenses are projected to rise 9 % and 12 % respectively. There is significant new development in the district which supports a favorable economic outlook, and the district has approved a 9.1% increase in water rates for the upcoming 2017 fiscal year.

Request for information

This financial report is designed to provide a general overview of the Nevada Special Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office Manager, Nevada Special Utility District, 108 N. Warren Street, Nevada, Texas 75173.

BASIC FINANCIAL STATEMENTS

NEVADA SPECIAL UTILITY DISTRICT
Statement of Net Position
Proprietary Fund
September 30, 2016

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 656,586
Cash and cash equivalents - restricted	48,435
Investments - restricted	143,627
Accounts receivable	69,423
Inventory	<u>33,985</u>
Total current assets	<u>952,056</u>
Noncurrent assets:	
Capital assets:	
Land	62,684
Water systems and improvements	2,402,792
Buildings and improvements	141,878
Equipment and furniture	111,018
Vehicles	73,984
Intangible assets	45,678
Less: Accumulated depreciation	<u>(1,357,611)</u>
Total noncurrent assets	<u>1,480,423</u>
Total assets	<u>\$ 2,432,479</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 9,655
Notes payable - current portion	<u>43,282</u>
Total current liabilities	<u>52,937</u>
Long-term liabilities:	
Customer deposits	192,062
Notes payable	<u>447,406</u>
Total long-term liabilities	<u>639,468</u>
Total liabilities	<u>692,405</u>
NET POSITION	
Invested in capital assets, net of related debt	973,258
Unrestricted	<u>766,816</u>
Total net position	<u>\$ 1,740,074</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Nine Months Ended September 30, 2016

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Water sales	\$ 378,074
Connection fees	117,809
Charges for services	239,395
Penalties	11,674
System reimbursements	74,002
Tower rent	15,750
Other income	<u>41,884</u>
Total operating revenues	<u>878,588</u>
OPERATING EXPENSES	
Personnel and benefits expenses	149,933
Water purchases	184,344
Vehicle and equipment expenses	18,320
Utilities	23,864
Repairs and maintenance	38,402
Professional fees	26,820
Insurance	22,770
Other operating expenses	49,338
Depreciation and amortization	<u>115,445</u>
Total operating expenses	<u>629,236</u>
Operating income (loss)	\$ <u>249,352</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 2,519
Interest expense	(16,933)
Transfers in (out)	<u>268,258</u>
Total nonoperating revenues (expenses)	<u>253,844</u>
Change in net position	503,196
Net position - beginning	<u>1,236,878</u>
Net position - ending	\$ <u>1,740,074</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Nine Months Ended September 30, 2016

	<u>Proprietary Fund</u>
Cash flows from operating activities:	
Cash received from customers and users	864,824
Cash paid to suppliers	(363,814)
Cash paid to employees	<u>(149,933)</u>
Net cash provided / (used) by operating activities	<u>351,077</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(289,505)
Principal paid on note payable	(31,305)
Interest paid on note payable	<u>(16,933)</u>
Net cash provided / (used) by capital and related financing activities	<u>(337,743)</u>
Cash flows from noncapital financing activities:	
Transfer in (out)	<u>268,258</u>
Net cash provided / (used) by noncapital financing activities	<u>268,258</u>
Cash flows from investing activities:	
Purchase / sales of investments	(978)
Interest on deposits and investments	<u>2,519</u>
Net cash provided by investing activities	<u>1,541</u>
Net increase in cash and cash equivalents	283,133
Cash and cash equivalents - beginning (as restated)	<u>421,888</u>
Cash and cash equivalents - ending	<u>705,021</u>
Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities	
Operating income (loss)	249,352
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	115,445
(Increase)/decrease in accounts receivable	(13,764)
(Increase)/decrease in inventory	(5,097)
Increase/(decrease) in accounts payable	(23,043)
Increase/(decrease) in accrued expenses	7,918
Increase/(decrease) in customer deposits	<u>20,266</u>
Total adjustments	<u>101,725</u>
Net cash provided / (used) by operating activities	<u>351,077</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Nevada Special Utility District (“District”) was approved by the voters within the District on November 12, 2015. The District has the rights, powers, privileges, functions, and duties provided by general law applicable to a special utility district created under Section 59, Article XVI, Texas Constitution, including those provided by Chapters 49 and 65, Water Code.

The Nevada Water Supply Corporation was dissolved and all assets, liabilities, and equity of organization were transferred to the newly created Nevada Special Utility District. This transfer of ownership took place on January 1, 2016 for financial reporting purposes.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

B. Reporting Entity

The Board of Directors, a five-member body elected by qualified voters of the District, and is responsible for governance of activities for the District. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. The District has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement no. 14, “The Financial Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Unites”.

Under GASB Statement No. 14, some organizations are included as component units because of their fiscal dependency on the primary government, and all other organizations for which the primary government is not financially accountable, but the organization raises and holds economic resources from the direct benefit of a governmental unit. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. As of September 30, 2016, the District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management’s professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2016
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The Proprietary Fund is used to account for the operations of the District that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited. Customer deposits received for establishment of a water account are considered to be restricted assets.

E. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the acquisition date.

F. Investments

Investments are stated at fair value and consist of certificates of deposit.

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2016
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Receivables and Inventory

Accounts receivable are for water service. They are reviewed monthly and are either collected or service is discontinued. No allowance for doubtful accounts has been established. Management believes all material receivables will be collected. Inventories are stated at lower of cost or market and consists of maintenance supplies.

H. Capital Assets

Capital assets are recorded at cost and depreciation is computed on the straight-line method. Items with a cost of \$5,000 or greater are capitalized. Estimated useful lives of the various categories of depreciable assets are as follows:

<u>Asset Class</u>	<u>Life</u>
Buildings and improvements	10 - 40 years
Vehicles, furniture and equipment	5 - 10 years
Water distribution system	10 - 40 years

I. Estimates

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

J. Budget

Budgets are required by the Texas Municipal Water Board. Prior to the start of the new fiscal year, the governing board adopts a budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Any subsequent amendments are prepared by the General Manager of the District and approved by the board.

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2016

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing's used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(2) CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2016</u>
Land	\$ 62,684			62,684
Water distribution system	2,158,965	243,827		2,402,792
Building and improvements	141,878			141,878
Equipment and furniture	111,018			111,018
Vehicles	73,984			73,984
Organizational costs		<u>45,678</u>		<u>45,678</u>
Total	<u>2,548,529</u>	<u>289,505</u>		<u>2,838,034</u>
Less: accumulated depreciation	(1,242,166)	(113,161)		(1,355,327)
Less: accumulated amortization		<u>(2,284)</u>		<u>(2,284)</u>
Net	<u>\$ 1,306,363</u>	<u>174,060</u>		<u>1,480,423</u>

Organizational costs are capitalized and amortized over 15 years by the straight-line method.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2016

-continued-

(3) COMPENSATED ABSENCES

Under terms of the District's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated unused vacation, but not sick leave. There was no material accrual as of September 30, 2016.

(4) NOTES PAYABLE

Notes payable outstanding at September 30, 2016 are as follows:

4.50% note payable to American National Bank of Texas, due in monthly installments of \$5,373, including principal and interest, through January 2026, collateralized by equipment.

The following table summarizes the changes in notes payable during the nine months ended September 30, 2016:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2016</u>	Current <u>Portion</u>
American National Bank of Texas	\$ <u>521,993</u>		<u>(31,305)</u>	<u>490,688</u>	<u>43,282</u>
Total notes payable	\$ <u>521,993</u>		<u>(31,305)</u>	<u>490,688</u>	<u>43,282</u>

Debt service requirements, until maturities, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
09/30/17	\$ 43,282	21,200	64,482
09/30/18	45,271	19,211	64,482
09/30/19	47,350	17,132	64,482
09/30/20	49,525	14,957	64,482
09/30/21	51,801	12,681	64,482
Thereafter	<u>253,459</u>	<u>26,012</u>	<u>279,471</u>
Total	\$ <u>490,688</u>	<u>111,193</u>	<u>601,881</u>

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2016

-continued-

(5) DEPOSITS AND INVESTMENTS

The District may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2016, the District's carrying amount of deposits was \$704,321 and the bank balance was \$726,489. Of the bank balance, \$250,000 was covered by federal depository insurance and \$476,489 was secured by marketable securities pledged by the financial institution holding the District's depository contract.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.
- b. *Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments.
- c. *Credit Risk -* This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District has no investments.
- d. *Interest Rate Risk -* This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investments.
- e. *Foreign Currency Risk -* This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk -* This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District has no investments.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2016

-continued-

(5) **DEPOSITS AND INVESTMENTS** (continued)

Investments consist of the following:

	<u>Bank</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at 09/30/16</u>
Certificate of deposit	American National Bank of Texas	8/30/21	1.49%	\$ 41,463
Certificate of deposit	Independent Bank	1/22/18	0.70%	<u>102,164</u>
				<u>\$ 143,627</u>

(6) **RETIREMENT PLAN**

The District does not provide retirement benefits for its employees.

(7) **RISK MANAGEMENT**

General

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however each category has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The District estimates that the amount of actual or potential claims against it as of September 30, 2016 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2016

-continued-

(7) RISK MANAGEMENT (continued)

Health Care Coverage

During the year ended September 30, 2016, the employees of the District were covered by a health insurance plan. The District contributed \$2,246 per month per employee for the year ended September 30, 2016. All contributions were paid to Blue Cross Blue Shield. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

(8) RESTATEMENT OF NET ASSETS

Net assets have been restated at December 31, 2015 to capitalize conversion costs related to special utility district formation expensed in the prior year.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Unrestricted net assets	<u>1,201,918</u>	<u>34,960</u>	<u>1,236,878</u>
Total net assets	<u>\$ 1,201,918</u>	<u>34,960</u>	<u>1,236,878</u>

(9) EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 21, 2016 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA SPECIAL UTILITY DISTRICT
Proprietary Fund
Budget and Actual
For The Nine Months Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
OPERATING REVENUES				
Water sales, fees and service charges	\$ 612,423	612,423	747,142	134,719
Other income	<u>29,014</u>	<u>29,014</u>	<u>131,446</u>	<u>102,432</u>
Total operating revenues	<u>641,437</u>	<u>641,437</u>	<u>878,588</u>	<u>237,151</u>
OPERATING EXPENSES				
Personnel and benefits expenses	157,024	157,024	149,933	7,091
Water purchases	203,832	203,832	184,344	19,488
Vehicle and equipment expenses	23,036	23,036	18,320	4,716
Utilities	23,742	23,742	23,864	(122)
Repairs and maintenance	11,650	11,650	38,402	(26,752)
Professional fees	10,700	10,700	26,820	(16,120)
Insurance	16,000	16,000	22,770	(6,770)
Other operating expenses	9,805	9,805	49,338	(39,533)
Depreciation and amortization			<u>115,445</u>	<u>(115,445)</u>
Total operating expenses	<u>455,789</u>	<u>455,789</u>	<u>629,236</u>	<u>(173,447)</u>
Operating income (loss)	<u>185,648</u>	<u>185,648</u>	<u>249,352</u>	<u>63,704</u>
NONOPERATING REVENUE (EXPENSE)				
Investment income			2,519	2,519
Interest expense	(16,933)	(16,933)	(16,933)	
Transfers in/(out)			<u>268,258</u>	<u>268,258</u>
Total nonoperating revenue (expense)	<u>(16,933)</u>	<u>(16,933)</u>	<u>253,844</u>	<u>270,777</u>
Change in net position	168,715	168,715	503,196	334,481
Net position - beginning (as restated)	<u>1,236,878</u>	<u>1,236,878</u>	<u>1,236,878</u>	
Net position - ending	\$ <u>1,405,593</u>	<u>1,405,593</u>	<u>1,740,074</u>	<u>334,481</u>

SUPPLEMENTAL SCHEDULES

NEVADA SPECIAL UTILITY DISTRICT
Services and Rates
For The Nine Months Ended September 30, 2016

1. Services Provided by the District:

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than Emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): | | |

2. Retail Rates Based on 3/4" Meter: Retail Rates Not Applicable

Most prevalent type of meter: 3/4"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 27.50	-	N	\$ 6.60	0 to 10,000 gallons
				\$ 7.06	10,001 to 15,000 gallons
				\$ 7.47	15,001 to 20,000 gallons
				\$ 7.90	20,001 to 25,000 gallons
				\$ 8.35	Over 25,000 gallons

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including surcharges) \$ 93.83

Water Retail Connections: Active 943 / Inactive 103 = Total 1,046

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
3/4"	1,043	940	x 1.0	943
1"	3	3	x 2.5	8
1 1/2"	-	-	x 5.0	-
2"	-	-	x 8.0	-
3"	-	-	x 15.0	-
4"	-	-	x 25.0	-
Total Water	1,046	943		951

3. District does levy standby fees.

4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>55,115,000</u>
Gallons billed to customers:	<u>48,569,100</u>
Gallons for fire and flushing:	<u>4,127,000</u>
Gallons water loss:	<u>2,418,900</u>
Water Accountability Water Loss:	<u>4.0%</u>

NEVADA SPECIAL UTILITY DISTRICT
Services and Rates
For The Nine Months Ended September 30, 2016
-continued-

5. Anticipated sources of funds to be used for debt service payments in the District's following years:

a. Water Revenue	\$ 416,840
b. Standby Fees	304,062
c. Interest Income	2,280
d. Penalties	16,800
e. Reconnect Fees	3,000
f. Customer Service Inspections	2,400
g. Connection Fees	84,000
h. Tower Rent	19,800
i. Backflow Inspections	2,600
j. System Reimbursements	<u>13,714</u>
TOTAL ANTICIPATED FUNDS TO BE USED	<u><u>865,496</u></u>

6. Location of District:

County(ies) in which District is located.	<u>Collin</u>
Is the District located entirely within one county?	<u>No</u>
Is the District located within a city?	<u>Partly</u>
City(ies) in which District is located.	<u>Nevada, Fate</u>
Is the District located within a city's extraterritorial jurisdiction (ETJ)?	<u>Partly</u>
ETJ's in which District is located.	<u>Nevada, Rockwall, Fate</u>
Is the general membership of the Board appointed by an office outside the District?	<u>No</u>
If Yes, by whom?	<u>N/A</u>

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Expenditures
Proprietary Fund
For the Nine Months Ended September 30, 2016

Personnel Expenditures (including benefits)	\$ 149,933
Professional Fees:	
Auditing	7,910
Legal	10,812
Engineering	7,598
IT Services	500
Purchased Services For Resale:	
Water Purchases	184,344
Utilities	23,864
Repairs and Maintenance	56,722
Administrative Expenditures:	
Office expenses	22,791
Insurance	22,770
Dues & permits	9,456
Depreciation and amortization	115,445
Other Operating Expenditures	<u>34,024</u>
TOTAL EXPENDITURES	\$ <u>646,169</u>

Number of persons employed by the District: 3 Full Time 6 Part Time

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Temporary Investments
For the Nine Months Ended September 30, 2016

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance At End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>Proprietary Fund</u>					
Certificate of deposit	220007411	1.49 %	8/30/21	\$ <u>41,463</u>	\$ <u>53</u>
Certificate of deposit	220006726	0.70 %	1/22/18	<u>102,164</u>	<u>137</u>
Total				\$ <u>143,627</u>	\$ <u>190</u>

NEVADA SPECIAL UTILITY DISTRICT
 Board of Directors
 For the Nine Months Ended September 30, 2016

Nevada Special Utility District
 108 N. Warren Street
 Nevada, TX 75173
 (972) 843-2608

<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Lonnie Sanders 14326 CR 489 Nevada, TX 75173	5/07 - 8/16	\$ 600	Past President	Yes
Debra Caldwell 138 Center Street Nevada, TX 75173	10/09 - 5/18	800	President	Yes
Debra Strickland 211 E FM 6 Nevada, TX 75173	8/13 - 5/18	900	Vice-President	Yes
Robert Taylor 225 Maple Circle Nevada, TX 75173	5/12 - 5/17	1,000	Secretary/ Treasurer	Yes
Ben Ponce 1014 Foxwood Lane Wylie, TX 75098	5/08 - 5/19	600	Director	Yes
Rebecca Norman 1104 Savannah Drive Nevada, TX 75173	10/16 - 5/17	0	Director	Yes

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

NEVADA SPECIAL UTILITY DISTRICT
Key Personnel and Consultants
For the Nine Months Ended September 30, 2016

Nevada Special Utility District
108 N. Warren Street
Nevada, TX 75173
(972) 843-2608

<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Key Administrative Personnel:</u>				
Johnny Rudisill 138 Center Street Nevada, TX 75173	3/2/09	\$ 43,742	General Manager	No
<u>Consultants:</u>				
Daniel & Brown PO Box 606 Farmersville, TX 75442	11/14/16	7,773	Engineer	No
Nabors CPA Services, PC 8765 Stockard Drive, Suite 404 Frisco, TX 75034	8/23/12	0	Auditor	No
Gay, McCall, Isaacks & Roberts, PC 777 E. 15 th Street Plano, TX 75074	7/10/07	21,093	Attorney	No

NEVADA SPECIAL UTILITY DISTRICT

Financial Statements
(With Auditor's Report Thereon)

September 30, 2017

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Collin

I, Johnny E Rudisill of the

(Name of Duly Authorized District Representative)

Nevada Special Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 11th day of December, 2017 its annual audit report for the fiscal year or period ended 09/30/2017 and those copies of the annual audit report have been filed in the district office, located at:

108 N. Warren Street, Nevada, TX 75173

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 12/11/2017

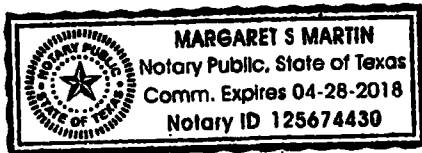
By: Johnny E Rudisill
(Signature of District Representative)

Johnny E Rudisill - General Manager

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 11th day of December, 2017

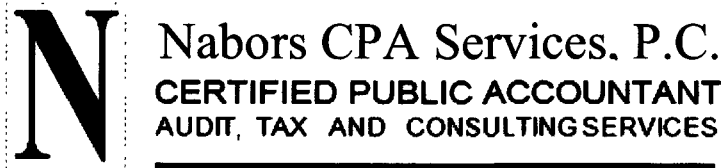
(SEAL)



Margaret Martin
(Signature of Notary)

My Commission Expires On: 04/28/2018

Notary Public in the State of Texas.



(972) 464-1226
8765 Stockard Drive, Suite 404
Frisco, Texas 75034

How well do you know your CPA?

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Special Utility District
Nevada, Texas 75173

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Nevada Special Utility District as of and for the year ended September 30, 2017, and the related notes to the financial statements as listed in the table of contents.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member of:
American Institute of CPAs
Texas Society of CPAs

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada Special Utility District as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Special Utility District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Nabors CPA Services, P.C.

November 13, 2017

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the Nevada Special Utility District, we offer readers of the Nevada Special Utility District's financial statements this narrative overview and analysis of the financial activities of the Nevada Special Utility District for the year ended September 30, 2017.

Financial Highlights

- The assets of the Nevada Special Utility District exceeded its liabilities at the close of the most recent fiscal year by \$1,984,301 (net position). Of this amount \$578,934, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Nevada Special Utility District's proprietary fund reported ending fund balance of \$1,984,301, an increase of \$244,227 in comparison with the prior year. Of this balance, \$578,934 is available for spending at the government's discretion (unrestricted). Unrestricted fund balance represents 79 percent of proprietary fund expenses. At the close of the current fiscal year, the Nevada Special Utility District's proprietary fund had a current ratio of approximately 14:1, based on the current assets of \$801,025 and current liabilities of \$57,371.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Nevada Special Utility District's basic financial statements.

Proprietary funds. The Nevada Special Utility District maintains one proprietary fund. *Proprietary funds* are used to report the same functions presented as business-type activities. The Nevada Special Utility District uses a proprietary fund to account for its Water operations.

The basic proprietary fund financial statements can be found on pages 11-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

A portion of the Nevada Special Utility District's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Nevada Special Utility District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Nevada Special Utility District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Nevada Special Utility District - Net Position

	Business-Type Activities
Current and other assets	\$ 801,029
Capital Assets	<u>1,853,251</u>
Total assets	<u>2,654,280</u>
Current liabilities	57,371
Long-term liabilities	<u>612,608</u>
Total liabilities	<u>669,979</u>
Net position:	
Invested in capital assets net of related debt	1,405,367
Unrestricted	<u>578,934</u>
Total net position	<u>\$ 1,984,301</u>

Business-type Activities:

- Total revenues increased by \$232,113 (27%) during the year while expenses increased by \$234,559 (38%).

Nevada Special Utility District - Changes in Net Position

	<u>Business-Type Activities</u>
Revenues:	
Program Revenues	
Charges for services	<u>1,110,701</u>
Total revenues	<u>1,110,701</u>
Expenses:	
Water Utilities	<u>863,795</u>
Total expenses	<u>863,795</u>
Operating Income	<u>246,906</u>
Non-operating Revenues (Expenses)	
Investment Income	3,734
Interest Expense	<u>(22,413)</u>
Total Non-operating Revenues (Expenses)	<u>(18,679)</u>
Net Increase (Decrease) in Net Position	228,227
Net position - beginning (as restated)	<u>1,756,074</u>
Net position - ending	<u>1,984,301</u>

Financial Analysis of the Government's Funds

As noted earlier, the Nevada Special Utility District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund. The Nevada Special Utility District's proprietary fund provide the same type of information found in business-type activities, but in more detail.

Unrestricted net position of the Proprietary Fund at the end of the year amounted to \$578,934. The total decrease in unrestricted net position of the Proprietary Fund was \$187,882. The factors concerning the finances of this fund have already been addressed in the discussion of the Nevada Special Utility District's business type activities.

Proprietary Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$247,485, and expenditures were more than budgetary estimates by \$229,594. The budget had called for a \$208,495 increase in fund balance, however, more than budgeted revenues resulted in \$228,227 increase to fund balance.

Capital Assets and Debt Administration

Capital Assets. The Nevada Special Utility District's investment in capital assets for its business-type activities as of September 30 2017, amounts to \$1,853,251 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

1. System and improvements, land, and vehicles totaling \$483,553 were added to the Proprietary Fund capital assets.

Additional information on the Nevada Special Utility District's capital assets can be found in Note 2 on page 17 of this report.

Long-term debt. The District has outstanding debt used to finance construction of water system infrastructure..

Additional information on the Nevada Special Utility District long-term debt can be found in Note 4 on pages 18 of this report.

The Budget, Economic Environment, and Rates

The 2018 budgeted revenues and expenses are projected to rise 12% and 12% respectively. There is significant new development in the district which supports a favorable economic outlook, and the district has approved a 9% increase in only the base water rates for the upcoming 2018 fiscal year.

Request for information

This financial report is designed to provide a general overview of the Nevada Special Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office Manager, Nevada Special Utility District, 108 N. Warren Street, Nevada, Texas 75173.

BASIC FINANCIAL STATEMENTS

NEVADA SPECIAL UTILITY DISTRICT
Statement of Net Position
Proprietary Fund
September 30, 2017

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 452,349
Cash and cash equivalents - restricted	65,031
Investments - restricted	144,964
Accounts receivable	83,994
Inventory	<u>54,691</u>
Total current assets	<u>801,029</u>
Noncurrent assets:	
Capital assets:	
Land	161,449
Water systems and improvements	2,761,064
Buildings and improvements	141,878
Equipment and furniture	111,018
Vehicles	89,328
Intangible assets	45,678
Less: Accumulated depreciation and amortization	<u>(1,457,164)</u>
Total noncurrent assets	<u>1,853,251</u>
Total assets	<u>\$ 2,654,280</u>
 LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 12,100
Notes payable - current portion	<u>45,271</u>
Total current liabilities	<u>57,371</u>
Long-term liabilities:	
Customer deposits	209,995
Notes payable	<u>402,613</u>
Total long-term liabilities	<u>612,608</u>
Total liabilities	<u>669,979</u>
 NET POSITION	
Invested in capital assets, net of related debt	1,405,367
Unrestricted	<u>578,934</u>
Total net position	<u>\$ 1,984,301</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2017

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Water sales	\$ 544,667
Connection fees	171,200
Charges for services	353,524
Penalties	19,026
Tower rent	20,300
Other income	<u>1,984</u>
Total operating revenues	<u>1,110,701</u>
 OPERATING EXPENSES	
Personnel and benefits expenses	217,946
Water purchases	302,500
Vehicle and equipment expenses	20,352
Utilities	33,153
Repairs and maintenance	38,622
Professional fees	38,318
Insurance	21,135
Other operating expenses	65,044
Depreciation and amortization	<u>126,725</u>
Total operating expenses	<u>863,795</u>
Operating income (loss)	\$ <u>246,906</u>
 NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 3,734
Interest expense	<u>(22,413)</u>
Total nonoperating revenues (expenses)	<u>(18,679)</u>
 Change in net position	 228,227
Net position - beginning (as restated)	<u>1,756,074</u>
Net position - ending	\$ <u>1,984,301</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2017

	<u>Proprietary Fund</u>
Cash flows from operating activities:	
Cash received from customers and users	1,114,063
Cash paid to suppliers	(537,385)
Cash paid to employees	<u>(217,946)</u>
Net cash provided / (used) by operating activities	<u>358,732</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(483,553)
Principal paid on note payable	(42,804)
Interest paid on note payable	<u>(22,413)</u>
Net cash provided / (used) by capital and related financing activities	<u>(548,770)</u>
Cash flows from investing activities:	
Purchase / sales of investments	(1,337)
Interest on deposits and investments	<u>3,734</u>
Net cash provided by investing activities	<u>2,397</u>
Net increase in cash and cash equivalents	(187,641)
Cash and cash equivalents - beginning	<u>705,021</u>
Cash and cash equivalents - ending	<u><u>517,380</u></u>

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating income (loss)	246,906
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	126,725
(Increase)/decrease in accounts receivable	(14,571)
(Increase)/decrease in inventory	(20,706)
Increase/(decrease) in accrued expenses	2,445
Increase/(decrease) in customer deposits	<u>17,933</u>
Total adjustments	<u>111,826</u>
Net cash provided / (used) by operating activities	<u><u>358,732</u></u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Nevada Special Utility District (“District”) was approved by the voters within the District on November 12, 2015. The District has the rights, powers, privileges, functions, and duties provided by general law applicable to a special utility district created under Section 59, Article XVI, Texas Constitution, including those provided by Chapters 49 and 65, Water Code.

The Nevada Water Supply Corporation was dissolved and all assets, liabilities, and equity of organization were transferred to the newly created Nevada Special Utility District. This transfer of ownership took place on January 1, 2016 for financial reporting purposes.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

B. Reporting Entity

The Board of Directors, a five-member body elected by qualified voters of the District, and is responsible for governance of activities for the District. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. The District has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement no. 14, “The Financial Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Unites”.

Under GASB Statement No. 14, some organizations are included as component units because of their fiscal dependency on the primary government, and all other organizations for which the primary government is not financially accountable, but the organization raises and holds economic resources from the direct benefit of a governmental unit. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. As of September 30, 2017, the District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management’s professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The Proprietary Fund is used to account for the operations of the District that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited. Customer deposits received for establishment of a water account are considered to be restricted assets.

E. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the acquisition date.

F. Investments

Investments are stated at fair value and consist of certificates of deposit.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Receivables and Inventory

Accounts receivable are for water service. They are reviewed monthly and are either collected or service is discontinued. No allowance for doubtful accounts has been established. Management believes all material receivables will be collected. Inventories are stated at lower of cost or market and consists of maintenance supplies.

H. Capital Assets

Capital assets are recorded at cost and depreciation is computed on the straight-line method. Items with a cost of \$5,000 or greater are capitalized. Estimated useful lives of the various categories of depreciable assets are as follows:

<u>Asset Class</u>	<u>Life</u>
Buildings and improvements	10 - 40 years
Vehicles, furniture and equipment	5 - 10 years
Water distribution system	10 - 40 years

I. Estimates

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

J. Budget

Budgets are required by the Texas Municipal Water Board. Prior to the start of the new fiscal year, the governing board adopts a budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Any subsequent amendments are prepared by the General Manager of the District and approved by the board.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing's used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(2) CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2017</u>
Land	\$ 78,684	82,765		161,449
Water distribution system	2,402,792	358,272		2,761,064
Building and improvements	141,878			141,878
Equipment and furniture	111,018			111,018
Vehicles	73,984	42,516	(27,172)	89,328
Organizational costs	<u>45,678</u>			<u>45,678</u>
Total	2,854,034	483,553	(27,172)	3,310,415
Less: accumulated depreciation	(1,355,327)	(123,680)	27,172	(1,451,835)
Less: accumulated amortization	<u>(2,284)</u>	<u>(3,045)</u>		<u>(5,329)</u>
Net	\$ <u>1,496,423</u>	<u>356,828</u>	<u> </u>	<u>1,853,251</u>

Organizational costs are capitalized and amortized over 15 years by the straight-line method.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(3) COMPENSATED ABSENCES

Under terms of the District's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated unused vacation, but not sick leave. There was no material accrual as of September 30, 2017.

(4) NOTES PAYABLE

Notes payable outstanding at September 30, 2017 are as follows:

4.50% note payable to American National Bank of Texas, due in monthly installments of \$5,373, including principal and interest, through January 2026, collateralized by equipment.

The following table summarizes the changes in notes payable during the year ended September 30, 2017:

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2017</u>	<u>Current Portion</u>
American National Bank of Texas	\$ <u>490,688</u>		(42,804)	<u>447,884</u>	<u>45,271</u>
Total notes payable	\$ <u>490,688</u>		(42,804)	<u>447,884</u>	<u>45,271</u>

Debt service requirements, until maturities, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
09/30/18	45,271	19,211	64,482
09/30/19	47,350	17,132	64,482
09/30/20	49,525	14,957	64,482
09/30/21	51,801	12,681	64,482
09/30/22	54,180	10,302	64,482
Thereafter	<u>199,757</u>	<u>15,232</u>	<u>214,989</u>
Total	\$ <u>447,884</u>	<u>89,515</u>	<u>537,399</u>

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(5) DEPOSITS AND INVESTMENTS

The District may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2017, the District's carrying amount of deposits was \$516,680 and the bank balance was \$545,012. Of the bank balance, \$250,000 was covered by federal depository insurance and \$295,012 was secured by marketable securities pledged by the financial institution holding the District's depository contract.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.
- b. *Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments.
- c. *Credit Risk -* This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District has no investments.
- d. *Interest Rate Risk -* This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investments.
- e. *Foreign Currency Risk -* This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk -* This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District has no investments.

-continued-

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2017

-continued-

(5) DEPOSITS AND INVESTMENTS (continued)

Investments consist of the following:

	<u>Bank</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at 09/30/17</u>
Certificate of deposit	Independent Bank	8/30/21	1.40%	\$ 102,879
Certificate of deposit	Independent Bank	1/22/18	0.70%	<u>42,085</u>
				<u>\$ 144,964</u>

(6) RETIREMENT PLAN

The District does not provide retirement benefits for its employees.

(7) RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District's risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. During the year ended September 30, 2017, the District paid premiums to commercial insurance carriers for provisions of various liability, property, casualty, and workers compensation insurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and the District estimates that the amount of actual or potential claims against it as of September 30, 2017 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

Health Care Coverage

During the year ended September 30, 2017, the employees of the District were covered by a health insurance plan. The District contributed \$2,516 per month per employee for the year ended September 30, 2017. All contributions were paid to Blue Cross Blue Shield. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

-continued-

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2017
-continued-

(8) RESTATEMENT OF NET ASSETS

Net assets have been restated at September 30, 2016 to capitalize land purchased in a prior year.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Unrestricted net assets	<u>1,740,074</u>	<u>16,000</u>	<u>1,756,074</u>
Total net assets	<u>\$ 1,740,074</u>	<u>16,000</u>	<u>1,756,074</u>

(9) EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through November 13, 2017 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA SPECIAL UTILITY DISTRICT
Proprietary Fund
Budget and Actual
For The Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Water sales, fees and service charges	\$ 863,881	829,702	1,088,417	258,715
Other income	<u>33,514</u>	<u>33,514</u>	<u>22,284</u>	<u>(11,230)</u>
Total operating revenues	<u>897,395</u>	<u>863,216</u>	<u>1,110,701</u>	<u>247,485</u>
OPERATING EXPENSES				
Personnel and benefits expenses	237,700	150,045	217,946	(67,901)
Water purchases	304,164	304,164	302,500	1,664
Vehicle and equipment expenses	7,200	49,116	20,352	28,764
Utilities	27,516	27,516	33,153	(5,637)
Repairs and maintenance	38,400	35,624	38,622	(2,998)
Professional fees	14,200	14,200	38,318	(24,118)
Insurance	20,000	20,000	21,135	(1,135)
Other operating expenses	33,536	33,536	65,044	(31,508)
Depreciation and amortization			<u>126,725</u>	<u>(126,725)</u>
Total operating expenses	<u>682,716</u>	<u>634,201</u>	<u>863,795</u>	<u>(229,594)</u>
Operating income (loss)	<u>214,679</u>	<u>229,015</u>	<u>246,906</u>	<u>17,891</u>
NONOPERATING REVENUE (EXPENSE)				
Investment income	2,280	2,280	3,734	1,454
Interest expense	<u>(22,800)</u>	<u>(22,800)</u>	<u>(22,413)</u>	<u>387</u>
Total nonoperating revenue (expense)	<u>(20,520)</u>	<u>(20,520)</u>	<u>(18,679)</u>	<u>1,841</u>
Change in net position	194,159	208,495	228,227	19,732
Net position - beginning (as restated)	<u>1,756,074</u>	<u>1,756,074</u>	<u>1,756,074</u>	_____
Net position - ending	\$ <u>1,950,233</u>	<u>1,964,569</u>	<u>1,984,301</u>	<u>19,732</u>

SUPPLEMENTAL SCHEDULES

NEVADA SPECIAL UTILITY DISTRICT
Services and Rates
For The Year Ended September 30, 2017
-continued-

5. Anticipated sources of funds to be used for debt service payments in the District's following years:

a. Water Revenue	\$ 595,537
b. Standby Fees	361,515
c. Interest Income	3,600
d. Penalties	18,960
e. Reconnect Fees	4,200
f. Customer Service Inspections	1,200
g. Connection Fees	84,000
h. Tower Rent	19,800
i. Backflow Inspections	15,000
j. System Reimbursements	<u>7,146</u>
TOTAL ANTICIPATED FUNDS TO BE USED	<u><u>1,110,958</u></u>

6. Location of District:

County(ies) in which District is located.	<u>Collin, Rockwall</u>
Is the District located entirely within one county?	<u>No</u>
Is the District located within a city?	<u>Partly</u>
City(ies) in which District is located.	<u>Nevada, Fate</u>
Is the District located within a city's extraterritorial jurisdiction (ETJ)?	<u>Partly</u>
ETJ's in which District is located.	<u>Nevada, Royce City, Lavon, Fate</u>
Is the general membership of the Board appointed by an office outside the District?	<u>No</u>
If Yes, by whom?	<u>N/A</u>

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Expenditures
Proprietary Fund
For the Year Ended September 30, 2017

Personnel Expenditures (including benefits)	\$ 217,946
Professional Fees:	
Auditing	8,280
Legal	18,778
Engineering	11,174
IT Services	85
Purchased Services For Resale:	
Water Purchases	302,500
Utilities	33,153
Repairs and Maintenance	58,974
Administrative Expenditures:	
Office expenses	32,369
Insurance	21,135
Dues & permits	12,017
Depreciation and amortization	126,725
Other Operating Expenditures	<u>20,659</u>
TOTAL EXPENDITURES	\$ <u>863,795</u>

Number of persons employed by the District: 4 Full Time 1 Part Time

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Temporary Investments
For the Year Ended September 30, 2017

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance At End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>Proprietary Fund</u>					
Certificate of deposit	220007411	1.40 %	8/30/21	\$ <u>102,879</u>	\$ <u>280</u>
Certificate of deposit	220006726	0.70 %	1/22/18	<u>42,085</u>	<u>57</u>
Total				\$ <u>144,964</u>	\$ <u>337</u>

NEVADA SPECIAL UTILITY DISTRICT
Board of Directors
For the Year Ended September 30, 2017

Nevada Special Utility District
 108 N. Warren Street
 Nevada, TX 75173
 (972) 843-2608

<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Debra Caldwell 138 Center Street Nevada, TX 75173	10/09 - 5/18	\$ 1,950	President	Yes
Debra Strickland 211 E FM 6 Nevada, TX 75173	8/13 - 5/18	1,800	Vice-President	Yes
Robert Taylor 225 Maple Circle Nevada, TX 75173	5/12 - 5/20	1,800	Secretary/ Treasurer	Yes
Ben Ponce 1014 Foxwood Lane Wylie, TX 75098	5/08 - 5/19	1,400	Director	Yes
Rebecca Norman 1104 Savannah Drive Nevada, TX 75173	10/16 - 5/20	1,350	Director	Yes

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

NEVADA SPECIAL UTILITY DISTRICT
Key Personnel and Consultants
For the Year Ended September 30, 2017

Nevada Special Utility District
108 N. Warren Street
Nevada, TX 75173
(972) 843-2608

<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Key Administrative Personnel:</u>				
Johnny Rudisill 138 Center Street Nevada, TX 75173	3/2/09	\$ 43,742	General Manager	No
<u>Consultants:</u>				
Daniel & Brown PO Box 606 Farmersville, TX 75442	11/14/16	10,989	Engineer	No
Nabors CPA Services, PC 8765 Stockard Drive, Suite 404 Frisco, TX 75034	8/23/12	8,280	Auditor	No
Gay, McCall, Isaacks & Roberts, PC 777 E. 15 th Street Plano, TX 75074	7/10/07	18,779	Attorney	No

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NEVADA SPECIAL UTILITY DISTRICT

Financial Statements
(With Auditor's Report Thereon)

September 30, 2018

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Collin

I, Johnny E. Rudisill of the

(Name of Duly Authorized District Representative)

Nevada Special Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 28 day of January its annual audit report for the fiscal year or period ended 2018 and those copies of the annual audit report have been filed in the district office, located at:

108 N. Warren Street, Nevada, TX 75173

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

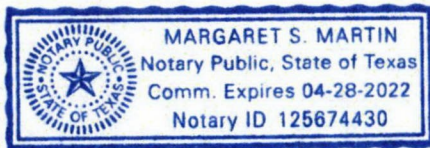
Date: 1/28/2019 By: Johnny E. Rudisill
(Signature of District Representative)

Johnny E. Rudisill - General Manager

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 28th day of January 2019
(SEAL)

Margaret Martin
(Signature of Notary)



My Commission Expires On: 04-28-22
Notary Public in the State of Texas.



Nabors CPA Services, P.C.
CERTIFIED PUBLIC ACCOUNTANT
AUDIT, TAX AND CONSULTING SERVICES

(972) 464-1226
8765 Stockard Drive, Suite 404
Frisco, Texas 75034

How well do you know your CPA?

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Special Utility District
Nevada, Texas 75173

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Nevada Special Utility District as of and for the year ended September 30, 2018, and the related notes to the financial statements as listed in the table of contents.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member of:
American Institute of CPAs
Texas Society of CPAs

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada Special Utility District as of September 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Special Utility District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Nabors CPA Services, P.C.

January 15, 2019

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the Nevada Special Utility District, we offer readers of the Nevada Special Utility District's financial statements this narrative overview and analysis of the financial activities of the Nevada Special Utility District for the year ended September 30, 2018.

Financial Highlights

- The assets of the Nevada Special Utility District exceeded its liabilities at the close of the most recent fiscal year by \$2,168,152 (net position). Of this amount \$615,825, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Nevada Special Utility District's proprietary fund reported ending fund balance of \$2,168,152, an increase of \$183,851 in comparison with the prior year. Of this balance, \$615,825 is available for spending at the government's discretion (unrestricted). Unrestricted fund balance represents 82 percent of proprietary fund expenses. At the close of the current fiscal year, the Nevada Special Utility District's proprietary fund had a current ratio of approximately 17:1, based on the current assets of \$2,232,143 and current liabilities of \$128,508.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Nevada Special Utility District's basic financial statements.

Proprietary funds. The Nevada Special Utility District maintains one proprietary fund. *Proprietary funds* are used to report the same functions presented as business-type activities. The Nevada Special Utility District uses a proprietary fund to account for its Water operations.

The basic proprietary fund financial statements can be found on pages 11-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

A portion of the Nevada Special Utility District's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Nevada Special Utility District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Nevada Special Utility District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Nevada Special Utility District - Net Position

	Business-Type Activities
Current and other assets	\$ 2,232,143
Capital Assets	<u>1,990,327</u>
Total assets	<u>4,222,470</u>
Current liabilities	128,508
Long-term liabilities	<u>1,925,810</u>
Total liabilities	<u>2,054,318</u>
Net position:	
Invested in capital assets net of related debt	1,552,327
Unrestricted	<u>615,825</u>
Total net position	\$ <u>2,168,152</u>

Business-type Activities:

- Total revenues increased by \$47,484 (5%) during the year while expenses increased by \$91,868 (11%).

Nevada Special Utility District - Changes in Net Position

	Business-Type Activities
Revenues:	
Program Revenues	
Charges for services	<u>1,158,185</u>
Total revenues	<u>1,158,185</u>
Expenses:	
Water Utilities	<u>954,202</u>
Total expenses	<u>954,202</u>
Operating Income	<u>203,983</u>
Non-operating Revenues (Expenses)	
Investment Income	2,709
Interest Expense	<u>(22,841)</u>
Total Non-operating Revenues (Expenses)	<u>(20,132)</u>
Net Increase (Decrease) in Net Position	183,851
Net position - beginning	<u>1,984,301</u>
Net position - ending	<u>2,168,152</u>

Financial Analysis of the Government's Funds

As noted earlier, the Nevada Special Utility District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund. The Nevada Special Utility District's proprietary fund provide the same type of information found in business-type activities, but in more detail.

Unrestricted net position of the Proprietary Fund at the end of the year amounted to \$615,825. The total increase in unrestricted net position of the Proprietary Fund was \$36,891. The factors concerning the finances of this fund have already been addressed in the discussion of the Nevada Special Utility District's business type activities.

Proprietary Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$47,227, and expenditures were more than budgetary estimates by \$53,609. The budget had called for a \$194,754 increase in fund balance, however, more than budgeted expenses resulted in \$183,851 increase to fund balance.

Capital Assets and Debt Administration

Capital Assets. The Nevada Special Utility District's investment in capital assets for its business-type activities as of September 30 2018, amounts to \$1,990,327 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

1. System and improvements, equipment, and vehicles totaling \$267,649 were added to the Proprietary Fund capital assets.

Additional information on the Nevada Special Utility District's capital assets can be found in Note 2 on page 17 of this report.

Long-term debt. The District has outstanding debt used to finance construction of water system infrastructure..

Additional information on the Nevada Special Utility District long-term debt can be found in Note 4 on pages 18 of this report.

The Budget, Economic Environment, and Rates

The 2019 budgeted revenues and expenses are projected to rise 10% and 15% respectively. There is significant new development in the district which supports a favorable economic outlook, and the district has approved a 5% increase in only the base water rates for the upcoming 2019 fiscal year.

Request for information

This financial report is designed to provide a general overview of the Nevada Special Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office Manager, Nevada Special Utility District, 108 N. Warren Street, Nevada, Texas 75173.

BASIC FINANCIAL STATEMENTS

NEVADA SPECIAL UTILITY DISTRICT

Statement of Net Position

Proprietary Fund

September 30, 2018

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 359,775
Cash and cash equivalents - restricted	1,494,274
Investments - restricted	146,317
Accounts receivable	97,689
Inventory	<u>134,088</u>
Total current assets	<u>2,232,143</u>
Noncurrent assets:	
Capital assets:	
Land	161,449
Water systems and improvements	2,902,617
Buildings and improvements	141,878
Equipment and furniture	208,318
Vehicles	118,124
Intangible assets	45,678
Less: Accumulated depreciation and amortization	<u>(1,587,737)</u>
Total noncurrent assets	<u>1,990,327</u>
Total assets	\$ <u>4,222,470</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 9,508
Bonds payable - current portion	<u>119,000</u>
Total current liabilities	<u>128,508</u>
Long-term liabilities:	
Customer deposits	222,695
Bonds payable	<u>1,703,115</u>
Total long-term liabilities	<u>1,925,810</u>
Total liabilities	<u>2,054,318</u>
NET POSITION	
Invested in capital assets, net of related debt	1,552,327
Unrestricted	<u>615,825</u>
Total net position	\$ <u>2,168,152</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Water sales	\$ 652,962
Connection fees	55,150
Charges for services	405,411
Penalties	18,798
Tower rent	22,700
Other income	<u>3,164</u>
Total operating revenues	<u>1,158,185</u>
 OPERATING EXPENSES	
Personnel and benefits expenses	257,028
Water purchases	331,942
Vehicle and equipment expenses	21,530
Utilities	38,333
Repairs and maintenance	37,947
Professional fees	42,743
Insurance	29,628
Other operating expenses	64,478
Depreciation and amortization	<u>130,573</u>
Total operating expenses	<u>954,202</u>
 Operating income (loss)	 \$ <u>203,983</u>
 NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 2,709
Interest expense	<u>(22,841)</u>
Total nonoperating revenues (expenses)	<u>(20,132)</u>
 Change in net position	 183,851
 Net position - beginning	 <u>1,984,301</u>
 Net position - ending	 \$ <u>2,168,152</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Proprietary Fund</u>
Cash flows from operating activities:	
Cash received from customers and users	1,157,190
Cash paid to suppliers	(648,590)
Cash paid to employees	<u>(257,028)</u>
Net cash provided / (used) by operating activities	<u>251,572</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(267,649)
Principal paid on note payable	(473,634)
Proceeds from bond issuance	1,847,865
Interest paid on note payable	<u>(22,841)</u>
Net cash provided / (used) by capital and related financing activities	<u>1,083,741</u>
Cash flows from investing activities:	
Purchase / sales of investments	(1,353)
Interest on deposits and investments	<u>2,709</u>
Net cash provided by investing activities	<u>1,356</u>
Net increase in cash and cash equivalents	1,336,669
Cash and cash equivalents - beginning	<u>517,380</u>
Cash and cash equivalents - ending	<u>1,854,049</u>

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating income (loss)	203,983
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	130,573
(Increase)/decrease in accounts receivable	(13,695)
(Increase)/decrease in inventory	(79,397)
Increase/(decrease) in accrued expenses	(2,592)
Increase/(decrease) in customer deposits	<u>12,700</u>
Total adjustments	<u>47,589</u>
Net cash provided / (used) by operating activities	<u>251,572</u>

The notes to the financial statements are an integral part of this statement.

NEVADA SPECIAL UTILITY DISTRICT
Notes to Financial Statements
September 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Nevada Special Utility District (“District”) was approved by the voters within the District on November 12, 2015. The District has the rights, powers, privileges, functions, and duties provided by general law applicable to a special utility district created under Section 59, Article XVI, Texas Constitution, including those provided by Chapters 49 and 65, Water Code.

The Nevada Water Supply Corporation was dissolved and all assets, liabilities, and equity of organization were transferred to the newly created Nevada Special Utility District. This transfer of ownership took place on January 1, 2016 for financial reporting purposes.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

B. Reporting Entity

The Board of Directors, a five-member body elected by qualified voters of the District, and is responsible for governance of activities for the District. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. The District has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement no. 14, “The Financial Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Unites”.

Under GASB Statement No. 14, some organizations are included as component units because of their fiscal dependency on the primary government, and all other organizations for which the primary government is not financially accountable, but the organization raises and holds economic resources from the direct benefit of a governmental unit. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. As of September 30, 2018, the District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management’s professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The Proprietary Fund is used to account for the operations of the District that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited. Customer deposits received for establishment of a water account are considered to be restricted assets.

E. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the acquisition date.

F. Investments

Investments are stated at fair value and consist of certificates of deposit.

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NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Receivables and Inventory

Accounts receivable are for water service. They are reviewed monthly and are either collected or service is discontinued. No allowance for doubtful accounts has been established. Management believes all material receivables will be collected. Inventories are stated at lower of cost or market and consists of maintenance supplies.

H. Capital Assets

Capital assets are recorded at cost and depreciation is computed on the straight-line method. Items with a cost of \$5,000 or greater are capitalized. Estimated useful lives of the various categories of depreciable assets are as follows:

<u>Asset Class</u>	<u>Life</u>
Buildings and improvements	10 - 40 years
Vehicles, furniture and equipment	5 - 10 years
Water distribution system	10 - 40 years

I. Estimates

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

J. Budget

The Texas Commission on Environmental Quality, under Rule 293.97(b), requires the district to adopt an operating budget prior to the start of the new fiscal year. The district's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Any subsequent amendments are prepared by the General Manager of the District and approved by the board.

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NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing's used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

(2) CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2018</u>
Land	\$ 161,449			161,449
Water distribution system	2,761,064	141,553		2,902,617
Building and improvements	141,878			141,878
Equipment and furniture	111,018	97,300		208,318
Vehicles	89,328	28,796		118,124
Intangible assets	<u>45,678</u>			<u>45,678</u>
Total	3,310,415	267,649		3,578,064
Less: accumulated depreciation	(1,451,835)	(127,528)		(1,579,363)
Less: accumulated amortization	<u>(5,329)</u>	<u>(3,045)</u>		<u>(8,374)</u>
Net	\$ <u>1,853,251</u>	<u>137,076</u>		<u>1,990,327</u>

Organizational costs are capitalized and amortized over 15 years by the straight-line method.

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NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(3) COMPENSATED ABSENCES

Under terms of the District's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated unused vacation, but not sick leave. There was no material accrual as of September 30, 2018.

(4) LONG-TERM DEBT

The following table summarizes the changes in notes and bonds payable during the year ended September 30, 2018:

	Balance September 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2018</u>	<u>Current Portion</u>
American National Bank of Texas	\$ 447,884		(447,884)		
Revenue Refunding Series 2018		463,750	(25,750)	438,000	54,000
Improvement Revenue Series 2018		<u>1,490,000</u>		<u>1,490,000</u>	<u>65,000</u>
Total notes/bonds payable	\$ <u>447,884</u>	<u>1,953,750</u>	<u>(473,634)</u>	<u>1,928,000</u>	<u>119,000</u>

Debt service requirements, until maturities, are as follows:

Nevada SUD Improvement Revenue Bonds, Series 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
09/30/19	65,000	28,488	93,488
09/30/20	65,000	28,653	93,653
09/30/21	65,000	27,944	92,944
09/30/22	65,000	27,112	92,112
09/30/23	65,000	26,189	91,189
Thereafter	<u>1,165,000</u>	<u>223,243</u>	<u>27,938</u>
Total	\$ <u>1,490,000</u>	<u>361,629</u>	<u>1,851,629</u>

Nevada SUD Revenue Refunding Bonds, Series 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
09/30/19	54,000	14,051	68,051
09/30/20	55,250	12,207	67,457
09/30/21	57,000	10,289	67,289
09/30/22	59,500	8,319	67,819
09/30/23	61,250	6,274	67,524
Thereafter	<u>151,000</u>	<u>6,272</u>	<u>157,272</u>
Total	\$ <u>438,000</u>	<u>57,412</u>	<u>495,412</u>

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NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(4) LONG-TERM DEBT (continued)

Nevada SUD Revenue Refunding Bonds, Series 2018

On February 15, 2018, The Nevada Special Utility District issued The Nevada Special Utility District Revenue Refunding Bonds, Series 2018 to refund, pursuant to an escrow deposit agreement between the district and the American National Bank of Texas, Terrell, Texas, the district's outstanding promisory note issued on January 24, 2005, and to pay the cost of issuing the bonds and of refunding the refunded obligations. The principal amount of the bonds is \$463,750 bearing interest at a rate of 3.40% per annum. The bonds mature on September 30, 2016.

Nevada SUD Improvement Revenue Bonds, Series 2018

On May 15, 2018, The Nevada Special Utility District issued The Nevada Special Utility District Improvement Revenue Bonds, Series 2018 to fund improvement projects for the district's water distribution system. The bonds were issued through the Texas Water Development Board with the approved resolution on April 5, 2018. The principal amount of the bonds is \$1,490,000 with a variable interest rate per section 3.2(b) of the certified order authorizing issuance of the bonds. The bonds mature on September 30, 2038.

(5) DEBT ISSUANCE COSTS

Debt issuance costs are required by ASU 2015-03 to be reported in the balance sheet as a direct reduction from the related liability rather than as an asset. Amortization of the cost is reported as interest expense.

(6) DEPOSITS AND INVESTMENTS

The District may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2018, the District's carrying amount of deposits was \$1,845,049 and the bank balance was \$1,854,260. Of the bank balance, \$250,000 was covered by federal depository insurance, \$279,059 was secured by marketable securities pledged by the financial institution holding the District's depository contract, and \$1,325,201 was secured by marketable securities pledged by UMB (Escrow Agent).

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.

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NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(6) DEPOSITS AND INVESTMENTS (continued)

- b. *Custodial Credit Risk* - Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- c. *Credit Risk* - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk.
- d. *Interest Rate Risk* - This is the risk that changes in interest rates will adversely affect the fair value of an investment.
- e. *Foreign Currency Risk* - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk* - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer.

Investments consist of the following:

	<u>Bank</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at 09/30/18</u>
Certificate of deposit	Independent Bank	8/30/21	1.49%	\$ 42,715
Certificate of deposit	Independent Bank	1/22/20	0.70%	<u>103,602</u>
				<u>\$ 146,317</u>

(7) RETIREMENT PLAN

The District does not provide retirement benefits for its employees.

NEVADA SPECIAL UTILITY DISTRICT

Notes to Financial Statements

September 30, 2018

-continued-

(8) RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District's risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. During the year ended September 30, 201, the District paid premiums to commercial insurance carriers for provisions of various liability, property, casualty, and workers compensation insurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and the District estimates that the amount of actual or potential claims against it as of September 30, 2018 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

Health Care Coverage

During the year ended September 30, 2018, the employees of the District were covered by a health insurance plan. The District contributed \$1,000 per month per employee for the year ended September 30, 2018. Contributions were paid to Blue Cross Blue Shield for October through November and to Medova Financial Group the remainder of the year. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

(9) EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 15, 2019 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA SPECIAL UTILITY DISTRICT
Proprietary Fund
Budget and Actual
For The Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Water sales, fees and service charges	\$ 1,084,012	1,084,012	1,132,321	48,309
Other income	<u>26,946</u>	<u>26,946</u>	<u>25,864</u>	<u>(1,082)</u>
Total operating revenues	<u>1,110,958</u>	<u>1,110,958</u>	<u>1,158,185</u>	<u>47,227</u>
OPERATING EXPENSES				
Personnel and benefits expenses	192,898	243,624	257,028	(13,404)
Water purchases	334,404	334,404	331,942	2,462
Vehicle and equipment expenses	15,984	141,104	21,530	119,574
Utilities	33,686	33,686	38,333	(4,647)
Repairs and maintenance	22,000	22,000	37,947	(15,947)
Professional fees	20,300	20,300	42,743	(22,443)
Insurance	21,135	21,135	29,628	(8,493)
Other operating expenses	84,340	84,340	64,478	19,862
Depreciation and amortization			<u>130,573</u>	<u>(130,573)</u>
Total operating expenses	<u>724,747</u>	<u>900,593</u>	<u>954,202</u>	<u>(53,609)</u>
Operating income (loss)	<u>386,211</u>	<u>210,365</u>	<u>203,983</u>	<u>(6,382)</u>
NONOPERATING REVENUE (EXPENSE)				
Investment income	3,600	3,600	2,709	(891)
Interest expense	<u>(19,211)</u>	<u>(19,211)</u>	<u>(22,841)</u>	<u>(3,630)</u>
Total nonoperating revenue (expense)	<u>(15,611)</u>	<u>(15,611)</u>	<u>(20,132)</u>	<u>(4,521)</u>
Change in net position	370,600	194,754	183,851	(10,903)
Net position - beginning (as restated)	<u>1,984,301</u>	<u>1,984,301</u>	<u>1,984,301</u>	_____
Net position - ending	<u>\$ 2,354,901</u>	<u>2,179,055</u>	<u>2,168,152</u>	<u>(10,903)</u>

SUPPLEMENTAL SCHEDULES

NEVADA SPECIAL UTILITY DISTRICT
Services and Rates
For The Year Ended September 30, 2018

1. Services Provided by the District:

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than Emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): | | |

2. Retail Rates Based on 3/4" Meter: Retail Rates Not Applicable
Most prevalent type of meter: 3/4"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 30.00	-	N	\$ 7.20	0 to 10,000 gallons
				\$ 7.70	10,001 to 15,000 gallons
				\$ 8.15	15,001 to 20,000 gallons
				\$ 8.65	20,001 to 25,000 gallons
				\$ 9.11	Over 25,000 gallons

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including surcharges) \$ 102.36

Water Retail Connections: Active 1,005 Inactive 103 Total 1,108

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
3/4"	1,105	1,026	x 1.0	1,026
1"	4	4	x 2.5	10
1 1/2"	-	-	x 5.0	-
2"	1	1	x 8.0	8
3"	-	-	x 15.0	-
4"	-	-	x 25.0	-
Total Meters	1,108	1,031		1,044

3. District does not levy standby fees.

4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>99,934,000</u>
Gallons billed to customers:	<u>86,959,990</u>
Gallons for fire and flushing:	<u>3,783,500</u>
Gallons water loss:	<u>4,136,510</u>
Water Accountability Water Loss:	<u>4 %</u>

NEVADA SPECIAL UTILITY DISTRICT

Services and Rates

For The Year Ended September 30, 2018

-continued-

5. Anticipated sources of funds to be used for debt service payments in the District's following years:

a. Water Revenue	\$ 703,878
b. Service Fees	367,020
c. Interest Income	2,424
d. Penalties	18,960
e. Reconnect Fees	4,800
f. Customer Service Inspections	1,200
g. Connection Fees	84,000
h. Tower Rent	19,800
i. Backflow Inspections	15,000
j. System Reimbursements	<u>7,146</u>
TOTAL ANTICIPATED FUNDS TO BE USED	<u>1,224,228</u>

6. Location of District:

County(ies) in which District is located.	<u>Collin, Rockwall</u>
Is the District located entirely within one county?	<u>No</u>
Is the District located within a city?	<u>Partly</u>
City(ies) in which District is located.	<u>Nevada, Fate</u>
Is the District located within a city's extraterritorial jurisdiction (ETJ)?	<u>Partly</u>
ETJ's in which District is located:	<u>Nevada, Royce City, Lavon, Fate, Josephine</u>
Is the general membership of the Board appointed by an office outside the District?	<u>No</u>
If Yes, by whom?	<u>N/A</u>

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Expenditures
Proprietary Fund
For the Year Ended September 30, 2018

Personnel Expenditures (including benefits)	\$ 257,028
Professional Fees:	
Auditing	7,750
Legal	14,713
Engineering	12,116
IT Services	1,114
Board of directors	7,050
Purchased Services For Resale:	
Water Purchases	331,942
Utilities	38,333
Repairs and Maintenance	59,477
Administrative Expenditures:	
Office expenses	
Insurance	29,628
Dues & permits	12,012
Depreciation and amortization	130,573
Other Operating Expenditures	<u>52,466</u>
TOTAL EXPENDITURES	\$ <u>954,202</u>

Number of persons employed by the District: 4 Full Time 1 Part Time

NEVADA SPECIAL UTILITY DISTRICT
Schedule of Temporary Investments
For the Year Ended September 30, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance At End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>Proprietary Fund</u>					
Certificate of deposit	220007411	1.49 %	8/30/21	\$ <u>42,715</u>	\$ <u>53</u>
Certificate of deposit	220006726	0.70 %	1/22/20	<u>103,602</u>	<u>484</u>
Total				\$ <u>146,317</u>	\$ <u>537</u>

NEVADA SPECIAL UTILITY DISTRICT
Long-Term Debt Service Requirements by Years
For the Year Ended September 30, 2018

<u>Due During</u> <u>Year Ending</u>	<u>Annual Requirements for All Series</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	119,000	42,539	161,539
2020	120,250	40,860	161,110
2021	122,000	38,233	160,233
2022	124,500	35,431	159,931
2023	126,250	32,463	158,713
2024	128,000	29,321	157,321
2025	136,000	26,027	162,027
2026	92,000	22,980	114,980
2027	70,000	21,529	91,529
2028	75,000	20,192	95,192
2029	75,000	18,708	93,708
2030	75,000	17,170	92,170
2031	75,000	15,588	90,588
2032	80,000	13,960	93,960
2033	80,000	12,176	92,176
2034	80,000	10,344	90,344
2035	85,000	8,464	93,464
2036	85,000	6,441	91,441
2037	90,000	4,401	94,401
2038	90,000	2,214	92,214
Total	\$ <u>1,928,000</u>	<u>419,041</u>	<u>2,347,041</u>

NEVADA SPECIAL UTILITY DISTRICT
Changes in Long-Term Bonded Debt
For the Year Ended September 30, 2018

Bond Issues:	<u>Refunding Bonds Series 2018</u>	<u>Total</u>
Interest Rate	3.40%	
Date Interest Payable	Monthly	
Maturity Date	09/30/26	
 Bonds Outstanding at Beginning of Current Year	 \$	
Bonds Sold During Current Year	463,750	463,750
Retirements: Principle	<u>(25,750)</u>	<u>(25,750)</u>
Bonds Outstanding at End of Current Year	<u>438,000</u>	<u>438,000</u>
Interest Paid During the Fiscal Year	\$ 7,528	7,528

Paying Agent's Name and Address:

The American National Bank of Texas
102 W. Moore Ave.
Terrell, TX 75160
(Series 2018)

Bond Authority:

Amount Authorized \$ 463,750
Amount Issued \$ 463,750

NEVADA SPECIAL UTILITY DISTRICT
Changes in Long-Term Bonded Debt
For the Year Ended September 30, 2018

Bond Issues:	<u>Improvement Bonds Series 2018</u>	<u>Total</u>
Interest Rate	0.87%	
Date Interest Payable	5/15; 11/15	
Maturity Date	05/15/38	
Bonds Outstanding at Beginning of Current Year	\$	
Bonds Sold During Current Year	1,490,000	1,490,000
Retirements: Principle	_____	_____
Bonds Outstanding at End of Current Year	<u>1,490,000</u>	<u>1,490,000</u>
Interest Paid During the Fiscal Year	\$	

Paying Agent's Name and Address:

UMB Bank, N.A.
5910 N. Central Expressway
Suite 1900
Dallas, TX 75206
(Series 2018)

Bond Authority:

Amount Authorized \$ 1,490,000
Amount Issued \$ 1,490,000

NEVADA SPECIAL UTILITY DISTRICT
Comparative Schedule of Revenues and Expenses - Enterprise Fund
For the Five Years Ended September 30, 2018

	<u>Fiscal year ended September 30</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues:					
Water Sales	652,962	544,667	378,074	-	-
Customer Charges/Fees	482,523	545,734	484,764	-	-
Rental Income	<u>22,700</u>	<u>20,300</u>	<u>15,750</u>	-	-
Total Operating Revenues	<u>1,158,185</u>	<u>1,110,701</u>	<u>878,588</u>	-	-
Operating Expenses:					
Payroll and Benefits	257,028	217,946	149,933	-	-
Water Purchases	331,942	302,500	184,344	-	-
Other Operating Costs	162,287	157,171	129,924	-	-
Professional and Legal Fees	42,743	38,318	26,820	-	-
Insurance	29,629	21,135	22,770	-	-
Amortization	3,045	3,045	2,284	-	-
Depreciation	<u>127,528</u>	<u>123,680</u>	<u>113,161</u>	-	-
Total Operating Expenses	<u>954,202</u>	<u>863,795</u>	<u>629,236</u>	-	-
Operating Income	<u>203,983</u>	<u>246,906</u>	<u>249,352</u>	-	-
Non-Operating Revenue (Expenses):					
Interest Revenue	2,709	3,734	2,519	-	-
Interest Expense	(22,841)	(22,413)	(16,933)	-	-
Transfers	-	-	<u>268,258</u>	-	-
Total Non-Operating Revenue (Expense)	<u>(20,132)</u>	<u>(18,679)</u>	<u>253,844</u>	-	-
Net Income	<u>183,851</u>	<u>228,227</u>	<u>503,196</u>	-	-

NEVADA SPECIAL UTILITY DISTRICT
Comparative Schedule of Revenues and Expenses - Enterprise Fund
For the Five Years Ended September 30, 2018
-continued-

	<u>Percent of Fund Total Revenues</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues:					
Water Sales	56.37%	49.03%	43.03%	-	-
Customer Charges/Fees	41.66%	49.13%	55.17%	-	-
Rental Income	<u>1.97%</u>	<u>1.84%</u>	<u>1.80%</u>	-	-
Total Operating Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	-	-
Operating Expenses:					
Payroll and Benefits	22.19%	19.62%	17.06%	-	-
Water Distribution System	28.66%	27.23%	20.98%	-	-
Other Operating Costs	14.01%	14.15%	14.78%	-	-
Professional and Legal Fees	3.69%	3.45%	3.05%	-	-
Insurance	2.55%	1.90%	2.59%	-	-
Amortization	0.26%	0.27%	0.26%	-	-
Depreciation	<u>11.01%</u>	<u>11.13%</u>	<u>12.87%</u>	-	-
Total Operating Expenses	<u>82.37%</u>	<u>77.75%</u>	<u>71.59%</u>	-	-
Operating Income	<u>17.63%</u>	<u>22.25%</u>	<u>28.41%</u>	-	-
Non-Operating Revenue (Expenses):					
Interest Revenue	0.23%	0.33%	0.28%	-	-
Interest Expense	(1.97%)	(2.01%)	(1.92%)	-	-
Transfers	-	-	<u>30.53%</u>	-	-
Total Non-Operating Revenue (Expense)	<u>(1.74%)</u>	<u>(1.68%)</u>	<u>28.89%</u>	-	-
Net Income	<u>15.89%</u>	<u>20.57%</u>	<u>57.30%</u>	-	-

NEVADA SPECIAL UTILITY DISTRICT
Board of Directors
For the Year Ended September 30, 2018

Nevada Special Utility District
108 N. Warren Street
Nevada, TX 75173
(972) 843-2608

<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Debra Caldwell 138 Center Street Nevada, TX 75173	10/09 - 5/21	\$ 1,950	President	Yes
Debra Strickland 211 E FM 6 Nevada, TX 75173	8/13 - 5/21	1,800	Vice-President	Yes
Robert Taylor 225 Maple Circle Nevada, TX 75173	5/12 - 5/20	1,800	Secretary/ Treasurer	Yes
Ben Ponce 102 Center Street Nevada, TX 75173	5/08 - 5/19	1,400	Director	Yes
Rebecca Norman 1104 Savannah Drive Nevada, TX 75173	10/16 - 5/20	1,350	Director	Yes

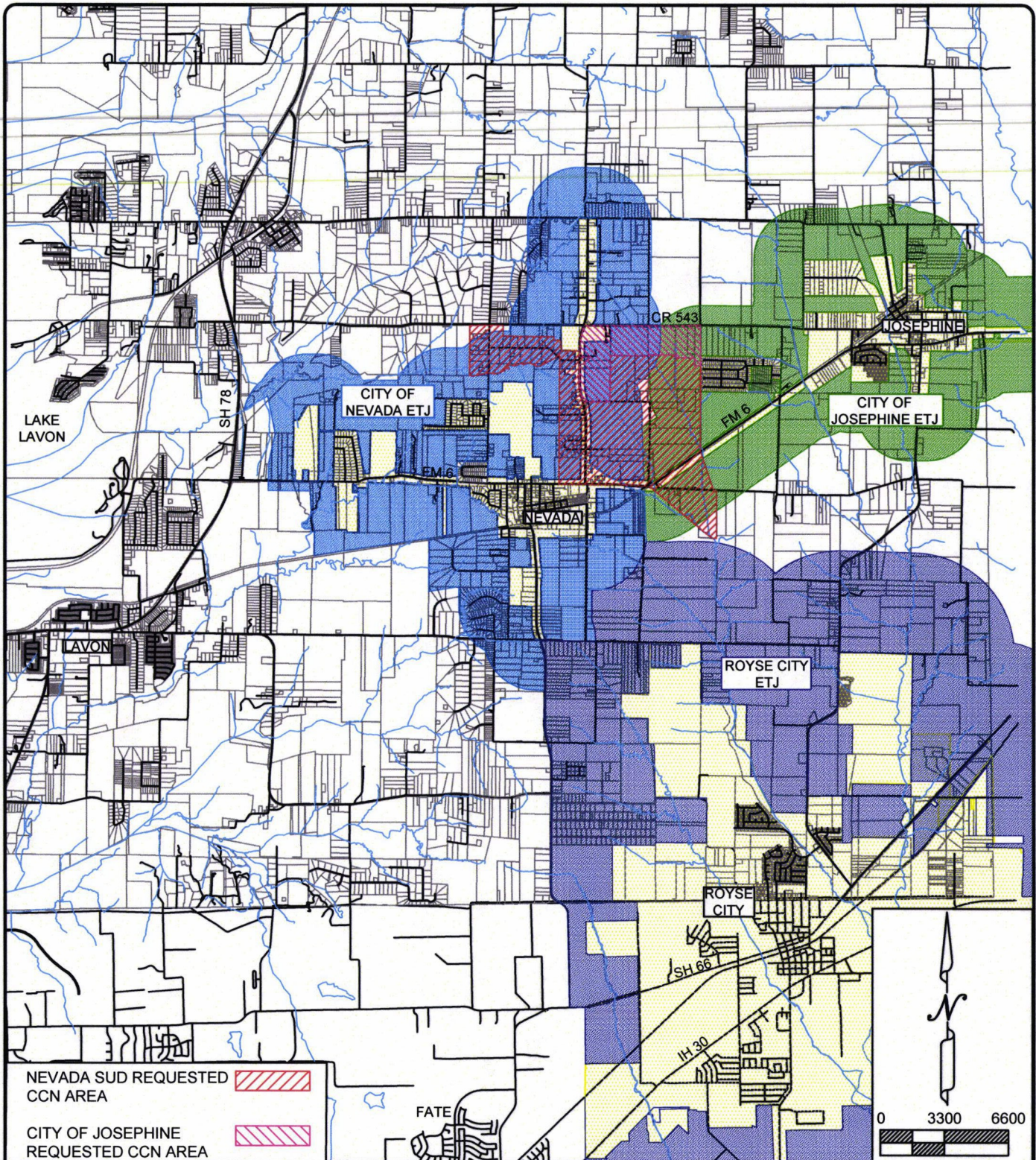
Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

NEVADA SPECIAL UTILITY DISTRICT
Key Personnel and Consultants
For the Year Ended September 30, 2018

Nevada Special Utility District
108 N. Warren Street
Nevada, TX 75173
(972) 843-2608

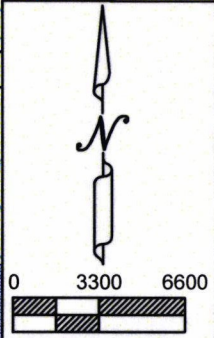
<u>Name and Address</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Key Administrative Personnel:</u>				
Johnny Rudisill 6231 Bridle Trail Caddo Mills, TX 75135	3/2/09	\$ 24	General Manager	No
<u>Consultants:</u>				
Daniel & Brown PO Box 606 Farmersville, TX 75442	11/14/16	12,116	Engineer	No
Nabors CPA Services, PC 8765 Stockard Drive, Suite 404 Frisco, TX 75034	8/23/12	7,750	Auditor	No
Gay, McCall, Isaacks & Roberts, PC 777 E. 15 th Street Plano, TX 75074	7/10/07	10,816	Attorney	No
James W. Wilson & Associates, PLLC	6/27/18	1,656	Attorney	No

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NEVADA SUD REQUESTED
CCN AREA

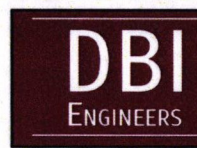
CITY OF JOSEPHINE
REQUESTED CCN AREA



SHEET 1 OF 1

APPLICATION OF NEVADA SPECIAL UTILITY DISTRICT TO
AMEND A WATER CERTIFICATE OF CONVENIENCE AND
NECESSITY IN COLLIN COUNTY

CITY LIMITS & ETJ



Daniel & Brown Inc.
118 McKinney St.
P.O. Box 606
Farmersville, Texas 75442
Phone 972-784-7777
www.DBIConsultants.com

DESIGNED: E.W.D.	DATE: 08-05-2019	FIRM REGISTRATION NO.:
DRAWN: M.K.W.	REVISION: N/C	F-002225
FILE: N:\Nevada SUD\CCN TRANSFER 2018\PUC Application\NSUD Proposed CCN Map		

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APPLICATION OF NEVADA SPECIAL UTILITY DISTRICT TO
AMEND A WATER CERTIFICATE OF CONVENIENCE AND
NECESSITY IN COLLIN COUNTY

VICINITY MAP

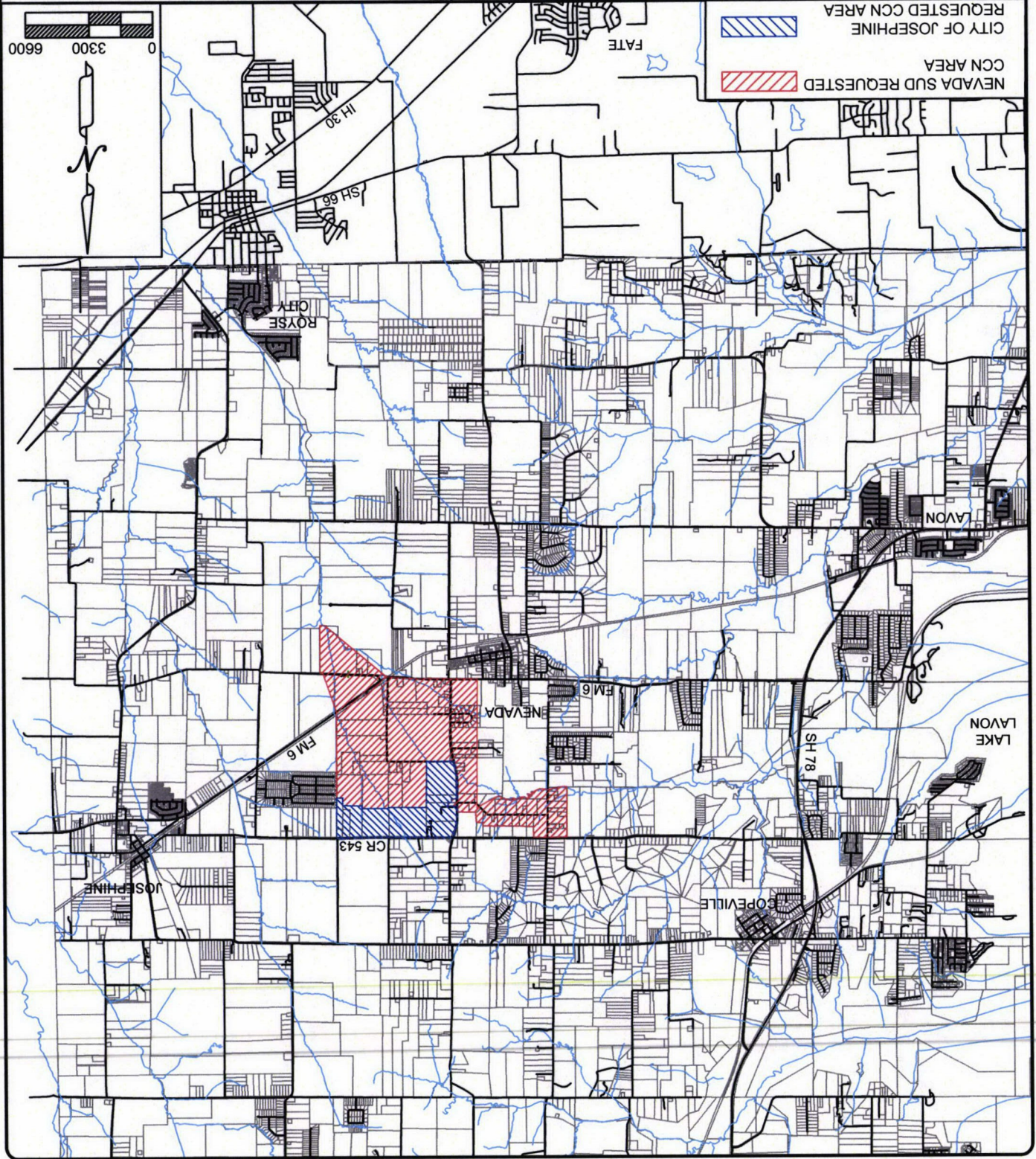
DESIGNED: E.W.D.
DRAWN: M.K.W.
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DATE: 08-05-2019
FIRM REGISTRATION NO.: F-00225
FILE: N:\nevada SUD\CCN TRANSFER 2018\puc Application\NSUD Proposed CCN Map

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Farmersville, Texas 75442
Phone 972-784-7777
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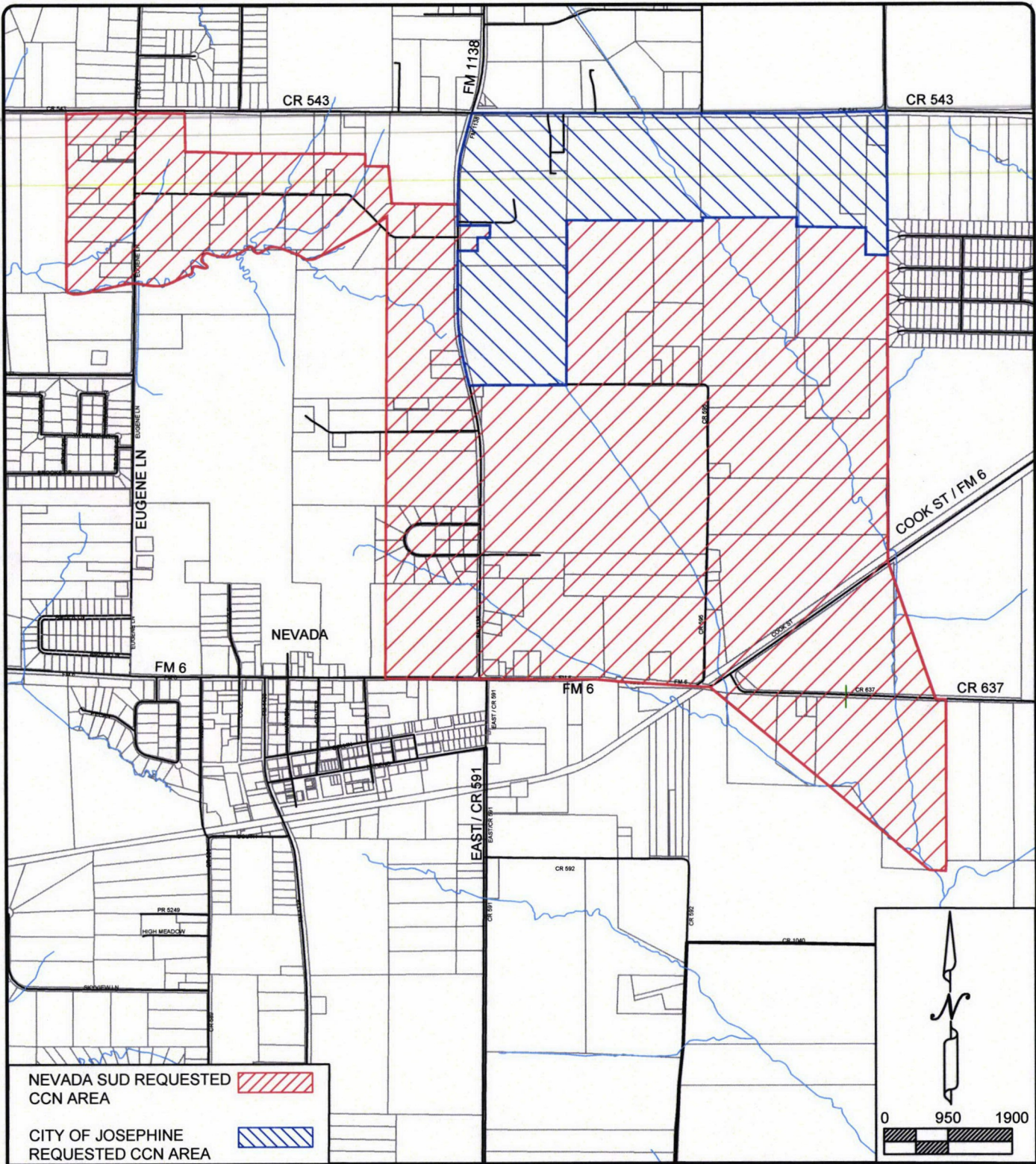


NEVADA SUD REQUESTED CCN AREA

CITY OF JOSEPHINE REQUESTED CCN AREA



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SHEET 1 OF 1

APPLICATION OF NEVADA SPECIAL UTILITY DISTRICT TO AMEND A WATER CERTIFICATE OF CONVENIENCE AND NECESSITY IN COLLIN COUNTY

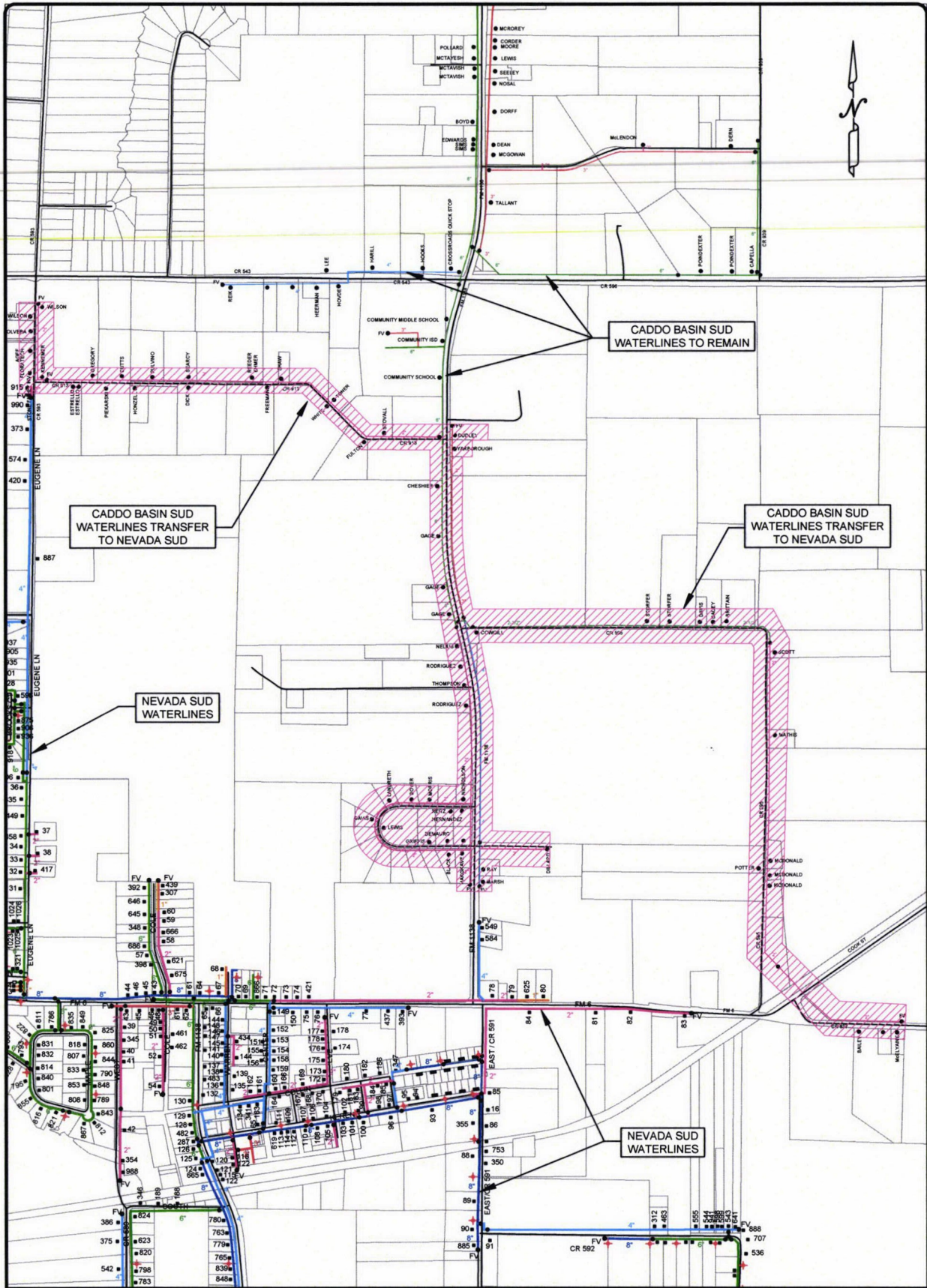
DETAIL MAP



Daniel & Brown Inc.
 118 McKinney St.
 P.O. Box 606
 Farmersville, Texas 75442
 Phone 972-784-7777
 www.DBIConsultants.com

DESIGNED: E.W.D.	DATE: 08-05-2019	FIRM REGISTRATION NO.: F-002225
DRAWN: M.K.W.	REVISION: N/C	
FILE: N:\Nevada SUD\CCN TRANSFER 2018\PUC Application\NSUD Proposed CCN Map		

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WATERLINE FACILITIES TRANSFER
 FROM
 CADDO BASIN SUD
 TO
 NEVADA SUD
 COLLIN COUNTY, TEXAS

WATERLINE EXHIBIT

SHEET 1 OF 1



Daniel & Brown Inc.
 118 McKinney St.
 P.O. Box 606
 Farmersville, Texas 75442
 Phone 972-784-7777
 www.DBIconultants.com

DESIGNED: E.W.D. DATE: 04-15-19 FIRM REGISTRATION NO.:
 DRAWN: M.K.V. REVISION: N/C F-002225
 FILE: N:\Nevada SUD\CCN TRANSFER 2018\CCN WL TRANSFER

CD ATTACHED

TO VIEW PLEASE CONTACT
CENTRAL RECORDS
512-936-7180