

**Nueces County Water Control and  
Improvement District No. 3**

**Annual Financial Report  
For the Year Ended January 31, 2021**

**ERNEST R. GARZA & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

**Authorized Contact:  
Ernest R. Garza, C.P.A.  
361-241-2452 Office  
800-241-1272 Office**

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JANUARY 31, 2021

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }

COUNTY OF NUECES }

I, \_\_\_ Ronnie Salinas \_\_\_\_\_ of the (Name of Duly Authorized District Representative) Nueces County Water Control and Improvement District No. 3 hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 9th day of March, 2021 its annual audit report for the fiscal year ended January 31, 2021 and that copies of the annual audit report have been filed in the district office located at 501 East Main Street, Robstown, Texas 78380.

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

Date: June 16, 2021

By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
Ronnie Salinas, President  
(Typed Name & Title of above  
District Representative)

Sworn to and subscribed to before me this 16th day of June 2021.

\_\_\_\_\_  
(Signature of Notary)

Notary Public in and for the State of Texas

(Seal)

Commission Expires on: \_\_\_\_\_

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }

COUNTY OF NUECES }

I,     Ronnie Salinas \_\_\_\_\_ of the (Name of Duly Authorized District Representative) Nueces County Water Control and Improvement District No. 3 hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 9th day of March, 2021 its annual audit report for the fiscal year ended January 31, 2021 and that copies of the annual audit report have been filed in the district office located at 501 East Main Street, Robstown, Texas 78380.

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

Date: June 16, 2021

By: *Ronnie Salinas*  
(Signature of District Representative)

Ronnie Salinas, President  
(Typed Name & Title of above District Representative)

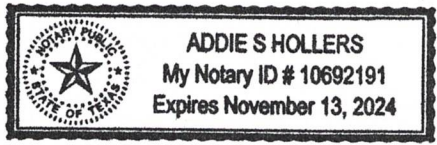
Sworn to and subscribed to before me this 16th day of June 2021.

*Addie S Hollers*  
(Signature of Notary)

Notary Public in and for the State of Texas

Commission Expires on: 11/13/2024

(Seal)



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FINANCIAL SECTION



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**ERNEST R. GARZA  
AND COMPANY, P.C.**  
*Certified Public Accountants*

10201 Leopard #A  
Corpus Christi, Texas 78410  
Bus. (361) 241-2452  
Fax No. (361) 242-1525  
Toll Free 1-800-241-1272

MEMBER

American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants



6102 Ayers St. #106  
Corpus Christi, Texas 78415  
Bus. (361) 723-0685  
Fax (361) 723-0689

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nueces County Water Control and Improvement District No. 3

Members of the Board:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Nueces County Water Control and Improvement District No. 3 as of and for the year ended January 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic 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***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Nueces County Water Control and Improvement District No. 3 as of January 31, 2021 and the respective 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***

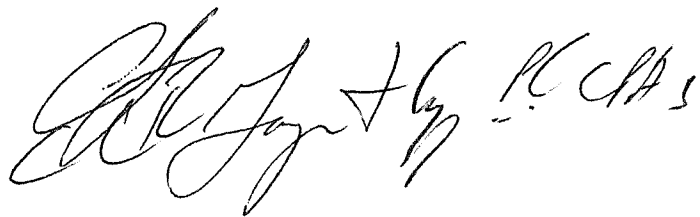
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9 through 13 and pages 41 be presented to supplement the basic financial statements. Such information, although not a part of 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. We 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. We 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 Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nueces County Water Control and Improvement District No.3's basic financial statements. The Other Supplemental Information and the Texas Supplementary Information ("TSI") such as the TSI Schedules 1 thru 8 are presented for purposes additional analysis and are required by the Texas Commission on Environmental Quality ("TCEQ") and are not a required part of the basic financial statements.

The Other Supplementary Information and the Texas Commission on Environmental Quality supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Texas Commission on Environmental Quality supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Ernest R. Garza & Company, P.C.*  
*Corpus Christi, Texas*  
*June 8, 2021*

A handwritten signature in black ink, appearing to read "Ernest R. Garza, CPA". The signature is written in a cursive style and is positioned to the right of the typed name and date.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
Management's Discussion and Analysis  
Fiscal Year ended January 31, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Nueces County Water Control and Improvement District No. 3 (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended January 31, 2021.

**Overview of the Financial Statements**

The intention of this discussion and analysis is to serve as an introduction to the District's basic financial statements.

The District operates a single enterprise fund. The enterprise fund has the characteristics of business-type (proprietary) activities. Like a private enterprise, the District charges a user fee at a level designed to recover all costs. The District may decide how to spend their revenue and resources to provide the service in the most efficient and effective way. Since the resources usually are not restricted to specified uses, there is no need to segregate the resources and their expenditures into funds for financial reporting purposes. Accounting for this type of activity focuses on measuring all costs of the activity, including, for example, depreciation and costs related to long-term commitments. It also focuses on reporting net operating income to determine the necessary level of user fees.

*Statement of Net Position:* This statement presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*Statement of Revenue, Expenses and Changes in Net Position:* This statement presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

*Statement of Cash Flows:* This statement presents cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financial activities, and investing activities for the year presented.

*Notes to the Financial Statements:* The notes provide additional information that is essential to the full understanding of the data provided in the financial statements.

*Other Information:* This report also contains other supplementary information as required by the Texas Commission on Environmental Quality and the Operational Budgetary Comparison Statement.

In this section of the Annual Financial and Compliance Report, we, the managers of Nueces County Water Control and Improvement District No. 3, discuss and analyze the District's financial performance for the fiscal year ended January 31, 2021. Please read it in conjunction with the independent auditors' report on pages 7 thru 8, and the District's Basic Financial Statements which begin on page 16.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
Management's Discussion and Analysis  
Fiscal Year ended January 31, 2021

**Financial Highlights**

- Total assets and deferred outflows of resources for fiscal year ending January 31, 2021 were \$18,018,687.
- Total liabilities and deferred inflows of resources for fiscal year ending January 31, 2021 were \$6,138,585.
- The net position of the District decreased by .63% or \$75,494 from fiscal year ending January 31, 2019.
- The District's charges for services increased by .37% to \$4,659,874 from fiscal year ending January 31, 2019.
- The District's expenses increased by 5.64% to \$4,533,147 from fiscal year ending January 31, 2019 excluding non-operating expenses.

**Financial Analysis of the Water District as a Whole**

The District's net position at the end of the fiscal year was \$11,880,102. This is a \$75,493 decrease over last year's net position. The following table provides a summary of the District's net position as of January 31, 2021.

Nueces County Water Control and Improvement District No. 3				
The District's Net Position				
	1/31/2021	1/31/2020	Variance Increase/ Decrease	Percent Change
<b>ASSETS</b>				
Current and Other Assets	6,515,917	7,508,620	(992,703)	-13.22%
Capital and Non-current Assets	11,086,847	11,099,813	(12,966)	-0.12%
Total Assets	17,602,764	18,608,433	(1,005,669)	-5.40%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to TRS	415,923	67,333	348,590	517.71%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	415,923	67,333	348,590	517.71%
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	18,018,687	18,675,766	(657,079)	-3.52%
<b>LIABILITIES</b>				
Current Liabilities	1,472,822	1,549,200	(76,378)	-4.93%
Long-term Liabilities	4,367,097	4,961,318	(594,221)	-11.98%
Total Liabilities	5,839,919	6,510,518	(670,599)	-10.30%
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred Inflow Related to TRS	298,666	209,653	89,013	42.46%
Total Deferred Inflows of Resources	298,666	209,653	89,013	42.46%
<b>NET POSITION</b>				
Invested in Capital Assets	6,125,529	5,414,430	711,099	13.13%
Restricted	1,382,998	2,012,214	(629,216)	-31.27%
Unrestricted	4,371,575	4,528,951	(157,376)	-3.47%
Total Net Position	11,880,102	11,955,595	(75,493)	-0.63%

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
Management's Discussion and Analysis  
Fiscal Year ended January 31, 2021

At the end of fiscal year ending January 31, 2021, the District had assets totaling \$17,602,764 which was a decrease of the previous year total by 5.40%. These assets include such things as land, water treatment facilities, raw water facilities, etc. These assets are required to provide services to the District customers and therefore are not available for liquidation or for future spending. The decrease of .63% in the District's net position indicates that the District improved its financial position during fiscal year end January 31, 2021.

<b>Nueces County Water Control and Improvement District No. 3</b>				
<b>Summary of Changes in Net Position</b>				
	1/31/2021	1/31/2020	Variance Increase/ Decrease	Percent Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 4,525,028	\$ 4,606,466	\$ (81,438)	-1.77%
Expenses:				
Operating Expenses	4,764,159	4,544,244	219,915	4.84%
Operating Revenue over Expenses	(239,131)	62,222	(301,353)	-484.32%
Non-operating Revenue				
Investment Income	28,792	88,136	(59,344)	-67.33%
Miscellaneous Revenue	134,846	36,139	98,707	273.13%
Total Non-operating Revenue	163,638	124,275	39,363	31.67%
Change in Net Position	(75,493)	186,497	(261,990)	-140.48%
Net position at beginning of year	11,955,595	11,769,098	186,497	1.58%
Net position at end of year	\$ 11,880,102	\$ 11,955,595	\$ (75,493)	-0.63%

Total charges for services for the District decreased by 1.77% or \$81,438 which total expenses increased by 4.84% to \$4,764,159 from fiscal year ending January 31, 2020. The increase in revenue is primarily related to an increase in total water sold in fiscal year ending January 31, 2021 as compared to fiscal year ending January 31, 2020.

**Analysis of Changes in Capital Assets and Long-Term Debt (or Capital Asset Administration)**

**Capital Asset**

The District's capital assets as of January 31, 2021 were \$11,040,448 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, water treatment and transmission facilities, buildings, other equipment and water rights. The total decrease in the District's capital assets for the current year was .12%.

The District had additions in capital assets in the amount of \$599,023, capital asset deletions in the amount of \$0 and a net increase in accumulated depreciation in the amount of \$642,031. This results in a net decrease in capital assets from January 31, 2020 in the amount of \$13,708.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
Management's Discussion and Analysis  
Fiscal Year ended January 31, 2021

<b>Nueces County Water Control and Improvement District No. 3 Capital Assets Net of Accumulated Depreciation</b>
--

	1/31/2021	1/31/2020	Variance Increase/ Decrease	Percent Change
Capital Assets Net of Accumulated Depreciation				
Canal System	\$ 2,247,565	\$ 2,306,653	\$ (59,088)	-2.56%
Drainage System	13,436	13,436	-	0.00%
Land/Reservoir Plant	56,055	54,555	1,500	2.75%
Land Water Towers	44,604	16,804	27,800	165.44%
City Water System	676,614	530,176	146,438	27.62%
Filter Plant	7,100,407	7,419,072	(318,665)	-4.30%
Water Towers	237,124	269,213	(32,089)	-11.92%
River Plant	7,905	15,179	(7,274)	-47.92%
Vehicles	128,199	146,148	(17,949)	-12.28%
Equipment	175,144	77,753	97,391	125.26%
Office Furniture/Fixtures	24,193	29,859	(5,666)	-18.98%
Warehouse	12,860	6,114	6,746	110.34%
Office Building	316,342	169,194	147,148	86.97%
Construction in Progress	-	-	-	0.00%
<b>Totals</b>	<b>\$ 11,040,448</b>	<b>\$ 11,054,156</b>	<b>(13,708)</b>	<b>-0.12%</b>

**Long-Term Debt**

During fiscal year January 31, 2021, the District did not have new additions to debt obligations. At the end of the fiscal year, the District had total outstanding debt of \$4,961,318. Outstanding long term debt included a Refunding Bond of \$3,140,000 and a note with CoBank in the amount of \$1,821,318. Short term debt at the end of fiscal year January 31, 2021 consisted of \$176,429 with CoBank. A summary of the District's debt is summarized in the following chart.

<b>Nueces County Water Control and Improvement District No. 3 Outstanding Debt</b>
--

	1/31/2021	1/31/2020	Variance Increase/ Decrease	Percent Change
Series 2006 Refunding Bond	\$ 3,140,000	\$ 3,695,000	\$ (555,000)	-15.02%
CoBank Note	1,821,318	1,990,384	(169,066)	-8.49%
<b>Totals</b>	<b>\$ 4,961,318</b>	<b>\$ 5,685,384</b>	<b>(724,066)</b>	<b>-12.74%</b>

**Capital Asset Management**

The District does not use the modified approach to assess the condition of its capital assets for the balance sheet presentation.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
Management's Discussion and Analysis  
Fiscal Year ended January 31, 2021

**The Budget, Economic Environment, and Rates**

The annual budget outlines the District's plans to continue to provide high quality, cost-effective service to its customers. Moving into the fiscal year ending January 31, 2021, the District foresees a small increase in its customer base which may lead to an increase in revenue. The District remains committed to looking for ways to improve its daily production and maintenance practices in order to remain as efficient as possible. With the implementation of the raw water surcharge the District has enacted, some of the debt service costs have been absorbed. The District will evaluate these practices on a continuing basis to see if future rate changes will be necessary.

The fiscal year ending January 31, 2021 will include the continuation of projects that should improve the services provided. These projects include the continuation of installing new radio read meters and the start of installing new membrane modules for the treatment plant. The District strives to provide quality water and customer service to all customers, both large and small, and intends to continue to grow into something everyone can be proud of.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Nueces County Water Control and Improvement District No. 3.

As management of Nueces County Water Control and Improvement District No. 3 we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ending January 31, 2021. The information presented here should be considered in conjunction with the District's financial statements.

This discussion and analysis is designed to provide general overview of the District's finances. Questions concerning this or other financial information should be directed to the District Manager at Nueces County Water Control and Improvement District No. 3, 501 E. Main Street, Robstown, Texas.



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## FINANCIAL STATEMENTS

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 STATEMENT OF NET POSITION  
 JANUARY 31, 2021

Exhibit G-1  
 Page 1 of 2

	<u>2021</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	2,831,166
Investments	1,885,383
Receivables	
Water sales, net	361,898
Accrued interest and other receivables	36
Pension Asset	0
Prepaid Items	54,436
Restricted cash and cash equivalents	<u>1,382,998</u>
Total Current Assets	<u>6,515,917</u>
Non-current assets	
Land	100,659
Property, plant and equipment, at cost, net of accumulated depreciation	10,939,790
Other assets	<u>46,398</u>
Total non-current assets	<u>11,086,847</u>
 Total assets	 <u>17,602,764</u>
 Deferred outflows of resources	
Deferred outflows of resources	<u>415,923</u>
Total deferred outflows of resources	<u>415,923</u>
 Total assets and deferred outflows of resources	 <u>18,018,687</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 STATEMENT OF NET POSITION  
 JANUARY 31, 2021

Exhibit G-1  
 Page 2 of 2

	<u>2021</u>
<b>LIABILITIES</b>	
Current Liabilities	
Customers' service deposits	540,914
Accrued expenses and accounts payable	180,479
Current portion of long-term debt	<u>751,429</u>
Total Current Liabilities	<u>1,472,822</u>
Noncurrent liabilities	
Long-term, net of current portion	4,209,889
Net Pension Liability	<u>157,208</u>
Total noncurrent liabilities	<u>4,367,097</u>
Total Liabilities	<u>5,839,919</u>
Deferred inflows of resources	
Deferred amounts related to pensions	<u>298,666</u>
Total deferred inflows of resources	<u>298,666</u>
Total liabilities and deferred inflows of resources	<u>6,138,585.07</u>
<b>NET POSITION</b>	
Invested in Capital Assets	6,125,529
Restricted for:	
Revenue Bond Retirement	1,382,998
Unrestricted	<u>4,371,575</u>
Net Position	<u>11,880,102</u>
Total liabilities, deferred inflows of resources and net position	<u>18,018,687</u>

-

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEAR ENDED JANUARY 31, 2021**

**Exhibit G-2**

	<u>2021</u>
<b>OPERATING REVENUES</b>	
Water Sales	3,984,531
Raw water surcharge	283,932
Service charges	94,965
Raw water metered	122,099
Service connection fee	30,600
Other untreated water sales	300
Tapping fees	8,600
Other income	134,846
<b>Total Operating Revenues</b>	<u><u>4,659,874</u></u>
<b>OPERATING EXPENSES</b>	
Water system operations	2,478,072
General operations	463,155
Office operations	743,509
River plant operations	170,194
Equipment and relift operations	9,930
Canal operations	4,156
Raws	12,347
Depreciation/amortization	651,784
<b>Total Operating Expenses</b>	<u><u>4,533,147</u></u>
<b>Net Operating Income</b>	<u><u>126,726</u></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest earned on investments	28,792
Interest expense	(231,012)
Gain on sale of assets	0
<b>Net Non-Operating Revenues (Expenses)</b>	<u><u>(202,220)</u></u>
<b>Change in Net Position</b>	<u><u>(75,493)</u></u>
Prior Period Adjustment	0
<b>NET POSITION BEGINNING OF YEAR</b>	<u><u>11,955,595</u></u>
<b>NET POSITION END OF YEAR</b>	<u><u>11,880,102</u></u>

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JANUARY 31, 2021**

**Exhibit I-3**

	<u>2021</u>
Cash flow from operating activities:	
Cash received from customers	4,529,796
Cash payments to suppliers for goods and services	(2,537,516)
Cash payments to employees for services	(1,533,432)
Net cash provided by operating activities	<u>458,848</u>
Investing activities	
Proceeds from sale of assets	(10,439)
Interest received	-
Purchases of depreciable assets	(481,611)
Net Cash used in investing activities	<u>(492,050)</u>
Capital and related financing	
Principal payments on long-term debt	(751,429)
Net cash used in financing activities	<u>(751,429)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(784,630)
Cash and Cash Equivalents at Beginning of Year	<u>4,998,794</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>4,214,164</u></u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities	
Change in net position	(75,493)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Gain on sale of capital assets	0
Depreciation/Amortization	651,784
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	143,434
(Increase) Decrease in Prepaid Items	13,435
(Increase) Decrease in net pension asset	61,643
(Increase) Decrease in deferred outflows	(348,590)
(Increase) Decrease in customer deposits	26,399
Increase (Decrease) in Accounts Payable	(130,140)
Increase (Decrease) in Deferred inflows	89,013
Increase (Decrease) in Current liabilities	27,363
Net Cash Provided by Operating Activities	<u>458,848</u>
Supplemental information	
Cash paid during the year for interest	<u>231,012</u>

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

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NOTES TO FINANCIAL STATEMENTS

1



NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS**

*Nature of Operations*

Nueces County Water Control and Improvement District No. 3 was created by Revised Civil Statute Article 7622 by order of the Commissioner's Court of Nueces County on September 30, 1920 under the authorities of Section 59 of Article 16 of the Constitution of the state of Texas and Chapters 49 and 51 of the Texas Water code to be governed by and operated under the provisions of Chapter 3A, Title 128, revised Civil Statutes of Texas, 1925. The Board of Directors held its first meeting on October 8, 1920, and the first bonds were approved for sale on November 19, 1921.

The District is an autonomous political sub-division of the state and its principal function is the sale and distribution of water to the community of Robstown, Texas. The District exercises no control over any other governmental agency or authority and its governing body is a Board of Directors who are elected by the users of the District services. The management of the District is the responsibility of the district manager, who is appointed by the governing Board. The District is subject to the rules and regulations administered by the Texas Commission on Environmental Quality.

Approximately 4,260 customers are served by the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The District is Self-supporting from business-type activities and does not employ fund accounting in its financing reporting. The District's resources are not restricted to specified uses and it does not segregate the resources and expenditures into funds for financial reporting purposes. The financial activities of the District are reported as proprietary/enterprise activities and are reported using the economic resources measurement focus, which uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when the related cash flows take place. Proprietary funds account for operations that are organized to be self-supporting through user charges.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for the District include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District applies Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Capital assets are started at cost, less accumulated depreciation. Depreciation is computed on a Straight-line basis over the useful lives of the respective assets. Major outlays for capital assets and Improvements are capitalized as projects are constructed and depreciated once placed in service. The capitalization threshold established by the District is \$3,000.

Assets Class	Estimated Useful Lives
Buildings	30
Utility system and improvements	20-40
Autos and equipment	5-20

***Deferred Outflows/inflows of Resources***

In addition to assets and liabilities, the statement of net assets will sometimes report a separate Section for deferred outflows of resources or deferred inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption or acquisition of net position that applies to a future periods(s) and so will *not* be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time.

The District has one item that qualifies for deferred outflows of resources reporting. *Deferred Outflow of resources for pension items* – This deferred outflow results primarily from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a closed five year period.

The District has one item that qualifies for deferred inflows of resources reporting. *Deferred inflows of resources for pension items* – This deferred inflow results from differences between expected and actual actuarial experiences. This amount will be amortized over a closed five year period.

***Budgetary Controls***

Budgetary accounting is employed as a management tool for internal planning and control since the District activities are “business-type” and are fully self-supporting from user fees. Annual operating budgets are adopted each fiscal year through passage of an annual budget and the same basis of accounting is used to reflect actual revenues and expenses recognized on a generally accepted accounting principles basis. The adopted budget is not a spending limitation under law. The District does not utilize an encumbrance method of allocating funds.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investments in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when limitations are imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

***Compensated Absences***

All full-time employees are entitled to certain compensated absences based on their length of employment. Compensated absences for vacation, sick leave, and personal time off are combined into one paid-time off bank. Compensated absences have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement. An employee may sell up to 40 hours of banked time to the District at the end of the year and/or may carryover a maximum of 40 hours to the following year. The amount of paid-time off that can be banked is capped at a maximum of 30 days, or 240 hours. Any unused paid time off above the capped 240 hours expires by December 31<sup>st</sup> of each year. An estimated liability for this amount is reflected in the financial statements in the amount of \$83,508 as of January 31, 2021.

***Pensions***

The District participates in an agent multiple-employer defined benefit pension plan. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contributed Systems*

Occasionally, developers may install new water service taps and donate them to the District. These donated water taps have not been reported as revenues and capital assets of the District.

**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all demand deposit accounts, money market accounts, and cash on hand. In addition, the District maintains restricted cash in interest bearing government investment pools to meet bond and loan covenants. All certificates of deposit have been classified as investments.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Funds on deposit with each bank were insured by FDIC up to \$250,000. Funds on deposit with the District's primary banks were also collateralized with securities held by the various entities or by its agent in the entity's name. There were no funds held in other banks in excess of FDIC insurance that were uncollateralized with securities as of January 31, 2021.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

- Category 1: Insured or registered securities held by the District or its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty, or by its Trust Department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its Trust Department or agent but not in the District's name.

In accordance with GASB Statement No. 3 – *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, which is required to provide financial statement users assess the risk an entity takes in investing public funds, the District's readily available government pooled investments in TexPool and TexSTAR are not categorized in the three risk categories provided above because these investments are in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

*Public Funds Investment Pools*

In accordance with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of January 31, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District’s access to 100 percent of their account value in either external investment pool.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies, federally insured certificates of deposit issued by Texas banks or savings and loans, and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasury by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercise oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of Public funds investment pools (including TexSTAR) and authorize eligible government entities (Participants) to invest their public funds and funds under their control through the investment pools.

For purposes of the Statement of Net Position, the District considers its investment in public funds investment pools to be cash equivalents.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of January 31, 2021, the government investment pool in TexPool and TexSTAR are carried at amortized cost, which generally approximates the market value of securities, to value the whole portfolio in accordance to GASB 79 – *Certain External Investment Pools and Pool Participants*.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

As of January 31, 2021, the District held \$2,858,643 in TexPool, an investment service offered to local governments by the State Treasury government investment pool. The primary objective to TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments that have the full faith and credit of the U.S. Government. Of the funds on deposit with TexPool, the Reserve Fund (January 31, 2021 balance of \$697,219) is restricted according to the requirements of the Series 2006 Refunding Notes. As of January 31, 2021, the District also held \$264,739 in TexSTAR, an investment service created by local governments for local governments. TexSTAR is a local government investment pool that provides security, liquidity and efficiency for the Management to public funds. The funds on deposit with TexSTAR are restricted in accordance with the requirements of the CoBank note.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year-end for each investment.

Description	Minimum Legal Rating	Amount	Rating	Percentage
TexPool	AAAm	\$ 2,878,643	AAAm	91.52%
TexSTAR	AAAm	\$ 264,739	AAAm	8.48%
		----- \$ 3,123,382		----- 100%

**NOTE 4: INVESTMENTS**

Investments consist of a certificate of deposit held with Texas Champion Bank in the amount of \$145,000 with a maturity date of November 8, 2021.

The District also has an investment with CoBank, a cooperative which offers a broad range of competitively priced, flexible loan programs, leasing services and other financial services. This investment is a result of a loan taken out with CoBank, which allocates to the District their portion of equity dividends based on CoBank's profit each year. The aggregate carrying amount of the CoBank investment is \$40,984 at January 31, 2021. This investment has not been evaluated for impairment because CoBank did not identify any events or changes in circumstances that might have an adverse effect on fair value.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5: CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ending January 31, 2021:

	January 31, 2020	Additions	Retirements	January 31 2021
<b>Non depreciable assets</b>				
Land	\$ 71,359	\$ 29,300	\$ -	\$ 100,659
Construction in Progress	-	-	-	-
Total nNon depreciable assets	<u>71,359</u>	<u>29,300</u>	<u>-</u>	<u>100,659</u>
<b>Depreciable assets</b>				
Canal & drainage system	2,548,964	-	-	2,548,964
Water system	17,870,876	268,968	-	18,139,844
Automobiles & trucks	370,760	39,187	-	409,947
Equipment	585,132	118,381	-	703,513
Furniture & fixtures	176,188	-	-	176,188
Office building	254,797	172,487	-	427,284
Total depreciable assets	<u>21,806,717</u>	<u>599,023</u>	<u>-</u>	<u>22,405,740</u>
Less accumulated depreciation	<u>(10,823,920)</u>	<u>(642,031)</u>	<u>-</u>	<u>(11,465,951)</u>
Total net depreciable assets	<u>10,982,797</u>	<u>(43,008)</u>	<u>-</u>	<u>10,939,789</u>
Capital assets, net	<u>\$ 11,054,156</u>	<u>\$ (13,708)</u>	<u>\$ -</u>	<u>\$ 11,040,448</u>
Adjustments made to beginning balances				

**NOTE 6: LONG-TERM DEBT**

Long-term debt outstanding as of January 31, 2021 is as follows:

<i>As of January 31, 2021</i>	\$
Series 2006 refunding notes	3,140,000
CoBank note	1,821,318
Total	4,961,318
Less prepaid insurance costs	(20,513)
Less current portion of long-term debt	(751,429)
Total long-term debt, net of current portion	<u>4,189,376</u>

Originally, the District issued Revenue Notes in 2001. Proceeds were used for permanent Improvements to the System including building, constructing, enlarging, repairing and expanding the System, and for materials, supplies, and machinery for the System.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
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In 2006, the District issued Series 2006 Refunding Notes in the amount of \$7,785,000 as a result of refinancing the bonds originally issued in 2001. This Series carries a coupon rate of 4.20% with a repayment period of 21 years. The net proceeds of the issue (\$7,555,996) were deposited in an irrevocable trust with an escrow agent to provide for future debt payments on the Series 2001 Revenue Notes. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District’s financial statements. The refunding bond issuance costs of \$134,056 have been expensed in accordance with GASB No. 65. Principal payments are due annually of each year until maturity on February 15, 2027. Interest payments are due semi-annually of each year at an interest rate of 4.2%.

The 2006 Refunding Bond has a cost of insurance prepaid in the amount of \$91,226, which is reported as a direct deduction from the carrying amount of the debt and is included in “notes payable – noncurrent portion” in the accompanying statement of net assets. The amount is being amortized through operations over the term of the Refunding Notes (21 years) and reported net of accumulated amortization. The balance of the debt issuance costs, net of accumulated amortization, as of January 31, 2021 was \$26,052.

According to the terms of the Series 2006 Refunding Notes, the District is required to establish a Reserve Fund for the purpose of maintaining a reserve equal to the Average Annual Debt Service Requirements on the Notes. The TexPool Reserve Fund is maintained to satisfy this condition and had a balance of \$697,219 as of January 31, 2021.

The funding requirements for the Refunding Notes Series 2006 are summarized in the table below:

Year Ending	<u>Principal Due</u>	<u>Interest Due</u>	<u>Reserve Fund Due</u>	<u>Total Funds Required</u>
January 31				
2021	-	65,940	-	65,940
2022	575,000	119,805	-	694,805
2023	600,000	95,130	-	695,130
2024	630,000	69,300	-	699,300
2025	655,000	56,595	-	711,595
Thereafter	680,000	14,280	(697,219)	(2,939)
Totals	<u>\$ 3,140,000</u>	<u>\$ 421,050</u>	<u>\$ (697,219)</u>	<u>\$ 2,863,831</u>

During 2014, the District secured a loan from CoBank in the amount of \$2,772,500. Proceeds from this note are being used to finance expenses related to the improvement of the raw water system. During the construction phase, interest associated with this note was expensed as incurred. This note carries a fixed interest rate of 4.082% and matures October 20, 2029. The terms of the CoBank note require the District to maintain a debt service reserve account in the amount of \$250,000. The funds held with TexSTAR are maintained to satisfy this condition and had a balance of \$264,739 as of January 31, 2021.



NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6: LONG-TERM DEBT (continued)**

The funding requirements for the CoBank note are summarized in the table below:

Year Ending January 31	Principal Due	Interest Due	Reserve Fund Due	Total Funds Required
2022	176,429	70,942	-	247,371
2023	183,871	63,600	-	247,471
2024	191,627	55,953	-	247,580
2025	199,563	47,988	-	247,551
2026	208,128	39,691	-	247,819
Thereafter	861,700	68,888	(264,739)	665,849
Totals	<u>\$ 1,821,318</u>	<u>\$ 347,062</u>	<u>\$ (264,739)</u>	<u>\$ 1,903,641</u>

**NOTE 7: EMPLOYEE RETIREMENT PLAN**

*Plan Description*

The District and its employees participate in the Texas County and District Retirement System (TCDRS) which was established by the Texas Legislature. The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employers public employee retirement system consisting of approximately 700 nontraditional defined benefit pension plans.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS. The plan covers substantially all of the District's employees and requires equal matching contribution by employees and the District. Members are eligible to retire at age 60 and above with ten or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more.

*Employees Covered by Benefit Terms*

At the December 31, 2019 and 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	2019	2020
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	9	9
Active employees	<u>25</u>	<u>27</u>
Total	<u>46</u>	<u>48</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

*Contributions*

The employee contribution rates are set by the District and are currently 7%. The District monthly contributions to the plan will be at a rate that equals or exceeds the required rate as annually determined on an actuarial basis. The rate consists of a normal cost contribution rate plus the rate required, as a level percent of payroll, to amortize the unfunded actuarial liability over the plan's 15-year amortization period or to amortize the overfunded actuarial accrued liability over the plan's 30-year amortization period. Both the employees and the District make contributions monthly. The District made contributions of \$97,375 and \$96,563 during the fiscal year ended January 31, 2021 and 2020 respectfully.

*Actuarial Assumptions*

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	Varies by age and service. 4.6% average over career including inflation.
<b>Investment Rate of Return</b>	7.50%, net of administrative and investment expenses, including inflation.
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
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**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

**Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions**      2015: New inflation, mortality and other assumptions were reflected.  
2017: New mortality assumptions were reflected.  
2019: New inflation, mortality and other assumptions were reflected.

**Changes in Plan Provisions Reflected in the Schedule of Employer Contributions**      2015: No changes in plan provision were reflected in the Schedule.  
2016: No changes in plan provision were reflected in the Schedule.  
2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.  
2018: No changes in plan provisions were reflected in the schedule.  
2019: No changes in plan provisions were reflected in the schedule.  
2020: No changes in plan provisions were reflected in the schedule.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
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**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (expected Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities – Emerging	MSCI EM Standard (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (“HFRI”) Fund of	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

(1) Target assets allocation adopted at the March 2021 TCDRS Board meeting

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater’s 2021 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

*Discount Rate*

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in the year should be the long-term expected rate of return on plan investments, If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
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**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit (“Projection of Fiduciary Net Position”).

*Sensitivity Analysis*

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	<b>1% Decrease 6.60%</b>	<b>Current Discount Rate 7.60%</b>	<b>1% Increase 8.60%</b>
Total pension liability	\$ 9,665,259	\$ 8,695,912	\$ 7,857,167
Fiduciary net position	8,538,704	8,538,704	8,538,704
Net pension liability / (asset)	\$ 1,126,555	\$ 157,208	\$ (681,537)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

*Change in the Net Pension Liability (Asset)*

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2018	\$ 7,794,461	\$ 7,856,103	\$ (61,642)
Changes for the year:			
Service cost	147,856	-	147,856
Interest on total pension liability	629,838	-	629,838
Effect of plan changes	-	-	-
Effect of economic/demographic gains or loses	31,274	-	31,274
Effect of assumptions changes or inputs	432,183	-	432,183
Refund of contributions	(5,695)	(5,695)	-
Benefit payments	(334,005)	(334,005)	-
Administrative expenses	-	(6,248)	6,248
Member contributions	-	113,889	(113,889)
Net investment income	-	811,344	(811,344)
Employer contributions	-	106,080	(106,080)
Other Changes	-	(2,764)	2,764
<b>Net change</b>	<b>901,451</b>	<b>682,601</b>	<b>218,850</b>
<b>Balance at 12/31/2019</b>	<b>\$ 8,695,912</b>	<b>\$ 8,538,704</b>	<b>\$ 157,208</b>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JANUARY 31, 2021

**NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)**

*Breakdown of Pension Expense/(Income)*

<i>For the Calendar year ended 2020</i>	<b>Pension Expense</b> 1/1/2020 to 12/31/2020
Service cost	\$ 147,856
Interest on total pension liability	629,838
Effect of plan changes	0
Administrative expenses	6,248
Member contributions	(113,889)
Expected investment return net of investment expenses	(631,232)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	14,380
Recognition of assumption changes or inputs	90,616
Recognition of investment gains or losses	(84,606)
Other Changes	2,764
<b>Pension expense</b>	<b>\$ 61,975</b>

*Deferred Inflows/Outflows of Resources*

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$57,628	\$8,239
Changes in actuarial assumptions	\$349,927	\$0
Difference between projected and actual investment earnings	\$0	\$290,427
Contributions subsequent to the measurement date	\$8,368	\$0
Total	\$415,923	\$298,666



NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JANUARY 31, 2021

\$8,368 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending January 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2021	\$16,104
2022	\$88,355
2023	\$(52,235)
2024	\$56,665
2025	\$0
Thereafter	\$0

Amounts currently reported as deferred outflows of resources and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

**NOTE 8: WATER SERVICE RATES**

The following water service rates were in effect during fiscal year ended January 31, 2021:

First 2,000 gallons – minimum bill	\$ 44.00
Next 4,000 gallons	\$ 4.00 per 1,000 gallons
Over 6,000 gallons	\$ 5.25 per 1,000 gallons

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

None

**NOTE 10: SUBSEQUENT EVENTS**

The System has evaluated subsequent events through June 8, 2021, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**OPERATIONAL BUDGETARY AND ACTUAL**  
**YEAR ENDED JANUARY 31, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
OPERATING REVENUES				
	\$			
Water Sales	4,615,403	4,615,403	3,984,531	(630,872)
Raw water surcharge	295,100	295,100	283,932	(11,168)
Service charges	160,000	160,000	94,965	(65,035)
Raw water metered	105,000	105,000	122,099	17,099
Service connection fee	25,000	25,000	30,600	5,600
Other untreated water sales	3,000	3,000	300	(2,700)
Tapping fees	7,000	7,000	8,600	1,600
Other income	25,000	25,000	134,846	109,846
Total Operating Revenues	<u>5,235,503</u>	<u>5,235,503</u>	<u>4,659,874</u>	<u>(575,629)</u>
OPERATING EXPENSES				
Water system operations	3,692,891	3,692,891	3,015,238	677,653
General operations	585,959	598,306	468,565	129,741
Office operations	794,640	794,640	774,515	20,125
River plant operations	43,400	43,400	180,666	(137,266)
Equipment and relift operations	94,413	94,413	30,919	63,494
Canal operations	107,000	107,000	63,245	43,755
Total Operating Expenses	<u>5,318,303</u>	<u>5,330,650</u>	<u>4,533,147</u>	<u>797,503</u>
Net Operating Income	<u>(82,800)</u>	<u>(95,147)</u>	<u>126,726</u>	<u>(1,373,132)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earned on investments	82,800	82,800	28,792	(54,008)
Interest expense	(267,000)	(267,000)	(231,012)	35,988
Gain on sale of assets	0	0	0	0
Net Non-Operating Revenues (Expenses)	<u>(184,200)</u>	<u>(184,200)</u>	<u>(202,220)</u>	<u>(18,020)</u>
Change in Net Position	<u>(267,000)</u>	<u>(279,347)</u>	<u>(75,493)</u>	<u>(1,391,151)</u>
Prior Period Adjustment	0	0	0	0
NET POSITION BEGINNING OF YEAR	<u>11,955,595</u>	<u>11,955,595</u>	<u>11,955,595</u>	<u>0</u>
NET POSITION END OF YEAR	<u>11,688,595</u>	<u>11,676,248</u>	<u>11,880,102</u>	<u>(1,391,151)</u>

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL & IMPROVEM  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
FOR THE YEAR ENDED JANUARY 31

	2020	2019
<b>Total Pension Liability</b>		
Service cost	\$ 147,856	\$ 160,483
Interest (on the total pension liability)	629,838	597,024
Changes of benefit terms	-	-
Difference between expected and actual experience	31,274	(13,731)
Change of assumptions	432,183	(40,379)
Benefit payments, including refunds of employee contributions	(339,700)	(272,526)
<b>Net Change in Total Pension Liability</b>	<u>901,451</u>	<u>430,871</u>
<b>Total Pension Liability - Beginning</b>	<u>7,794,461</u>	<u>7,363,590</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 8,695,912</u></u>	<u><u>\$ 7,794,461</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 106,080	\$ 92,171
Contributions - employee	113,889	102,950
Net investment income	811,344	1,126,125
Benefit payments, including refunds of employee contributions	(339,700)	(272,526)
Refunds	-	(40,379)
Administrative expense	(6,248)	(5,987)
Other	(2,764)	(2,938)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>682,601</u>	<u>999,416</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>7,856,104</u>	<u>6,856,688</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 8,538,705</u></u>	<u><u>\$ 7,856,104</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 157,207</u></u>	<u><u>\$ (61,643)</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	98.19%	100.79%
 <b>Covered Payroll</b>	\$ 1,626,991	\$ 1,470,718
 <b>Net Pension Liability as a Percentage of Covered Payroll</b>	9.66%	-4.19%

ENT DISTRICT NO. 3  
AND RELATED RATIOS  
, 2021

Plan Year Ended December 31,			
2018	2017	2016	2015
\$ 136,031	\$ 133,782	\$ 135,653	N/A
558,123	522,737	488,104	N/A
-	-	-	N/A
53,980	28,096	(18,722)	N/A
-	20,897	-	N/A
<u>(272,526)</u>	<u>(269,350)</u>	<u>(221,077)</u>	<u>N/A</u>
475,608	436,162	383,958	N/A
6,887,982	6,451,819	6,067,861	N/A
<u>\$ 7,363,590</u>	<u>\$ 6,887,981</u>	<u>\$ 6,451,819</u>	<u>N/A</u>
\$ 88,915	\$ 81,622	\$ 86,617	N/A
97,403	87,631	84,919	N/A
(132,921)	914,327	433,985	N/A
(272,526)	(269,350)	(221,077)	N/A
-	-	-	N/A
(5,507)	(4,711)	(4,713)	N/A
<u>(1,856)</u>	<u>(1,386)</u>	<u>29,468</u>	<u>N/A</u>
(226,492)	808,133	409,199	N/A
7,083,180	6,275,046	5,865,847	N/A
<u>\$ 6,856,688</u>	<u>\$ 7,083,179</u>	<u>\$ 6,275,046</u>	<u>N/A</u>
<u>\$ 506,902</u>	<u>\$ (195,198)</u>	<u>\$ 176,773</u>	<u>N/A</u>
93.12%	185.28%	106.57%	N/A
\$ 1,391,478	\$ 1,251,867	\$ 1,213,127	N/A
36.43%	-29.71%	-2.08%	N/A

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT  
 SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED JANUARY 31, 2021

	Fiscal Year Ended January 31,		
	2021	2020	2019
Actuarially determined contribution	\$ 94,332	\$ 97,375	\$ 92,067
Contributions in relation to actuarially determined contribution	<u>(94,332)</u>	<u>(97,375)</u>	<u>(92,067)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,446,805	\$ 1,535,056	\$ 1,470,718
Contributions as a percentage of covered payroll	6.52%	6.34%	6.26%

DISTRICT NO. 3

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 88,915	\$ 81,622	\$ 86,617
<u>(88,915)</u>	<u>(81,622)</u>	<u>(86,617)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,391,478	\$ 1,251,867	\$ 1,213,127
6.39%	6.52%	7.14%



NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3  
 NOTES TO SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED JANUARY 31, 2021

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years
Asset Valuation Method	5-yr smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Other Information:** There were no benefit changes during the year.

**Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions**

2015: New inflation, mortality and other assumptions were reflected.

2017: New mortality assumptions were reflected.

2019: New inflation, mortality and other assumptions were reflected.

2015: No changes in plan provisions were reflected in the Schedule.

**Changes in Plan Provisions Reflected in the Schedule of Employer Contributions**

2016: No changes in plan provisions were reflected in the Schedule.

2017 New Annuity Purchase Rates were reflected for benefits earned after 2017.

2016: No changes in plan provisions were reflected in the Schedule.

2018: No changes in plan provisions were reflected in the Schedule.

2019: No changes in plan provisions were reflected in the Schedule.

2020: No changes in plan provisions were reflected in the Schedule.

OTHER TEXAS SUPPLEMENTARY INFORMATION (TSI)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
 TSI-1: SERVICES AND RATES  
 FOR THE YEAR ENDED JANUARY 31, 2021

**1. Services Provided by the District during the Fiscal Year:**

<input checked="" type="checkbox"/> Retail Water	<input checked="" type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Wastewater	<input checked="" 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"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)		

Other (specify): \_\_\_\_\_

**2. Retail Service Providers:**

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per1000 Gallons Over Minimum Usage	Usage Levels
WATER:	\$44.00	2000	N	\$0.00400	<u>2001 to 6000</u>
WASTEWATER:	N/A			\$0.00525	<u>6001 &amp; U.P</u>
SURCHARGE:	\$ 0.75		N		Per each 1,000 gallons used

District employs winter averaging for wastewater usage? `Yes No X

Total charges per 10,000 gallons usage: Water: \$ 78.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered		6		6
<. 3/4"		4,187	x 1.0	4,187
1"		26	x 2.5	65
1 1/2"		8	x 5.0	40
2"		128	x 8.0	1024
3"		7	x 15.0	105
4"		14	x 25.0	350
6"		1	x 50.0	50
8"	N/A	N/A	x 80.0	N/A
10"	N/A	N/A	x 115.0	N/A
Total Water		4,377		5,827
Total Wastewater	N/A	N/A	x 1.0	N/A

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3  
TSI-1 SERVICES AND RATES  
YEAR ENDED JANUARY 31, 2021

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: <u>720,175,000</u>	Water Accountability Ratio:
	(Gallons billed/Gallons pumped)
Gallons billed to customers: <u>650,493,000</u>	<u>90.32429%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes \_\_\_ No X

If yes, Date of the most recent Commission Order: \_\_\_\_\_ N/A

Does the District have Operation and Maintenance standby fees? Yes \_\_\_ No X

If yes, Date of the most recent Commission Order: \_\_\_\_\_ N/A

5. Location of District:

County(ies) in which district is located. Nueces

Is the District located entirely within one county? Yes

Is the District located within a city? Entirely X Partly \_\_\_ Not at all \_\_\_

City(ies) in which district is located. Robstown, Texas

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely X Partly \_ Not at all \_\_\_

ETJ's in which district is located. Robstown, Texas

Is the general membership of the Board appointed by an office outside the district? Yes \_\_\_ No X

If Yes, by whom? N/A

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI- 2 DISTRICT EXPENDITURES**  
**YEAR ENDED JANUARY 31, 2021**

Personnel (including benefits)	\$	1,962,745
Professional Fees:		
Auditing		26,026
Legal		50,000
Engineering		39,432
Contracted Services		5,148
General manager		
Utilities		206,942
Repairs and maintenance		426,486
Administrative Expenditures:		
Director's Fee		11,166
Office Supplies		40,287
Insurance		40,968
Other expenses		1,723,948
Total expenses		4,533,147

Number of persons employed by the District	<u>25</u>	full-time
	<u>2</u>	part-time

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI - 3 SCHEDULE OF TEMPORARY INVESTMENTS**  
**YEAR ENDED JANUARY 31, 2021**

<u>District</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>
Cooperative equity:					
CoBank - 1				\$ 40,984	0
TexPool	19-1783600002, 4, 5	0.0579%		2,858,643	0
TexStar	9999888	0.0583%		264,739	0
Certificate of Deposit:					
Texas Champion Bank	65115747	0.50%	11/08/2021	145,000	0
TOTAL				<u>\$ 3,309,365</u>	<u>0</u>

1 - Investment with CoBank consisting of a profit sharing percent of patronage during the year

**Financial Officer Training:**

The financial officers of the District have fulfilled the training requirements for compliance of the Public Funds Investment Act.

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI -4 TAXES LEVIED AND RECEIVABLE**  
**YEAR END JANUARY 31, 2021**

No applicable, no taxes levied or receivables noted

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI - 5 GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**  
**YEAR ENDED JANUARY 31, 2021**

Refunding Notes - Series 2006

Year Ending	Principal Amount	Interest payments due		Total Annual Requirements	Principal Balance Outstanding End of Year
		Feb 1	Aug 1		
2022	-	-	65,940	65,940	3,140,000
2023	575,000	65,940	53,865	694,805	2,565,000
2024	600,000	53,865	41,265	695,130	1,965,000
2025	630,000	41,265	28,035	699,300	1,335,000
2026	655,000	28,035	14,280	697,315	680,000
2027	680,000	14,280	-	694,280	-
	<u>3,140,000</u>	<u>203,385</u>	<u>203,385</u>	<u>3,546,770</u>	

Subordinate Lien Revenue Note- CoBank

Year Ending	Principal Amount	Interest	Total Annual Requirements	Principal Balance Outstanding End of Year
2021				1,821,318
2022	176,429	70,942	247,371	1,644,889
2023	183,871	63,600	247,471	1,461,018
2024	191,627	55,953	247,580	1,269,391
2025	199,563	47,988	247,551	1,069,828
2026	208,128	39,691	247,819	861,700
2027	216,907	31,049	247,956	644,793
2028	226,056	22,048	248,104	418,737
2029	235,544	12,673	248,217	183,193
2030	183,193	3,118	186,311	-
	<u>1,821,318</u>	<u>347,062</u>	<u>2,168,380</u>	

See accompanying notes to financial statements.



**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI-6: CHANGES IN LONG-TERM BONDED DEBT**  
**YEAR ENDED JANUARY 31, 2021**

		<u>Series 2006</u>
Interest Rate		4.20%
Date Interest Payable		8/1 & 2/1
Maturity Dates		2-1-2026
Beginning Bonds Outstanding	\$	3,695,000
Add:		
Bonds Sold During the Fiscal Year		-
Less:		
Bonds Refunded During the Fiscal Year		-
Balance Per Schedule		<u>3,695,000</u>
2/1/21 Principal Payment Made in FYE 1/31/21		<u>(555,000)</u>
Ending Bonds Outstanding	\$	<u><u>3,140,000</u></u>
Interest Paid During the Fiscal Year	\$	166,320
Paying Agen'ts Name and City: Bank of America/NA Dallas, Texas:		
Debt Service Fund and Reserve Fund combined balance as of January 31, 2021:	\$	<u>973,260</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$	<u>635,017</u>
Amortization of cost of issuing notes: (FYE 1/31/2021):	\$	<u>4,344</u>

See accompanying notes to financial statements.

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**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI -7A COMPARATIVE SCHEDULE - REVENUES AND EXPENSES**  
**GENERAL FUND -FIVE YEARS ENDED**  
**YEAR ENDED JANUARY 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
<b>OPERATING REVENUES</b>				
Water Sales	\$ 3,984,531	4,018,592	3,900,983	3,973,280
Raw water surcharge	283,932	293,901	282,235	277,731
Service charges	94,965	158,630	156,895	149,410
Raw water metered	122,099	104,843	86,309	100,883
Service connection fee	30,600	21,200	29,300	52,125
Other untreated water sales	300	2,800	6,315	6,390
Tapping fees	8,600	6,500	13,800	12,600
Sundry income, etc.	134,846	36,139	27,070	50,501
Interest on investments	28,792	88,136	78,617	55,290
Gain on sale of assets	0	0	12,398	-
Total Operating Revenues	<u>4,688,666</u>	<u>4,730,741</u>	<u>4,593,922</u>	<u>4,678,210</u>
<b>OPERATING EXPENSES</b>				
Water system operations	2,721,431	2,587,634	2,629,564	2,352,084
General operations	463,155	541,772	497,234	416,919
Office operations	743,509	589,859	550,061	458,369
River plant operations	170,194	111,407	60,467	97,303
Equipment and relift operations	9,930	30,483	41,828	34,679
Canal operations	4,156	61,942	14,110	12,944
Total Expenses	<u>4,112,375</u>	<u>3,923,097</u>	<u>3,793,264</u>	<u>3,372,298</u>
Net before non-cash expenses	<u>576,291</u>	<u>807,644</u>	<u>800,658</u>	<u>1,305,912</u>
<b>Depreciation and Amortization</b>				
City water operations	518,870	493,913	542,653	588,194
Equipment and relift operations	26,655	33,315	41,245	45,902
Canal operations	59,089	61,021	59,089	59,088
River plant operations	10,472	10,937	10,937	12,574
Office operations	26,945	12,208	10,263	10,167
Amortization of water rights	9,753	9,753	5,409	5,409
Total Depreciation and Amortization	<u>\$ 651,784</u>	<u>621,147</u>	<u>669,596</u>	<u>721,334</u>
Net Income	<u>(75,493)</u>	<u>186,497</u>	<u>131,062</u>	<u>584,578</u>

See accompanying notes to financial statements

<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>AMOUNT</u>	<u>PERCENT</u>	<u>PERCENT</u>	<u>PERCENT</u>	<u>PERCENT</u>	<u>PERCENT</u>
4,106,330	85.0%	84.9%	84.9%	84.9%	86.0%
287,281	6.1%	6.2%	6.1%	5.9%	6.0%
166,810	2.0%	3.4%	3.4%	3.2%	3.5%
50,898	2.6%	2.2%	1.9%	2.2%	1.1%
31,800	0.7%	0.4%	0.6%	1.1%	0.7%
9,890	0.0%	0.1%	0.1%	0.1%	0.2%
4,400	0.2%	0.1%	0.3%	0.3%	0.1%
100,596	2.9%	0.8%	0.6%	1.1%	2.1%
14,404	0.6%	1.9%	1.7%	1.2%	0.3%
-	0.0%	0.0%	0.3%	0.0%	0.0%
<u>4,772,409</u>	<u>99.4%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
2,249,877	58.0%	54.7%	57.2%	50.3%	47.1%
462,027	9.9%	11.5%	10.8%	8.9%	9.7%
388,939	15.9%	12.5%	12.0%	9.8%	8.1%
157,173	3.6%	2.4%	1.3%	2.1%	3.3%
28,107	0.2%	0.6%	0.9%	0.7%	0.6%
16,182	0.1%	1.3%	0.3%	0.3%	0.3%
<u>3,302,305</u>	<u>87.7%</u>	<u>82.9%</u>	<u>82.6%</u>	<u>72.1%</u>	<u>69.2%</u>
<u>1,470,104</u>	<u>11.7%</u>	<u>17.1%</u>	<u>17.4%</u>	<u>27.9%</u>	<u>30.8%</u>
580,710	12.6%	10.4%	11.8%	12.6%	12.2%
36,815	0.6%	0.7%	0.9%	1.0%	0.8%
29,544	1.4%	1.3%	1.3%	1.3%	0.6%
15,842	0.3%	0.2%	0.2%	0.3%	0.3%
9,383	0.7%	0.3%	0.2%	0.2%	0.2%
5,409	0.2%	0.2%	0.1%	0.1%	0.1%
<u>677,703</u>	<u>15.8%</u>	<u>13.1%</u>	<u>14.6%</u>	<u>21.4%</u>	<u>14.2%</u>
<u>792,401</u>	<u>27.5%</u>	<u>3.9%</u>	<u>2.9%</u>	<u>12.5%</u>	<u>16.6%</u>

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**YEAR ENDED JANUARY 31, 2021**

Complete District Mailing Address: 501 E. Main Street  
 Robstown, Texas 78380  
 District Business Telephone No. 361-387-4549

Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 36.054, 49.054) \$ 1,800  
 Submission Date of the most recent District Register 6/15/2020

Name and Address	Title	Expiration of Term	Fees	Expense Reimbursement	Resident of District	Relationships With Major Land Owners, Engineer/ Attorney and Tax Assessor
Ronnie Salinas 204 E. Ave I Robstown, Texas 78380	President	5/7/2022 Elected	\$ 1,800	-	Yes	None
Richard Villarreal 609 W. Ligustrum Robstown, Texas 78380	Vice-President	5/7/2022 Elected	\$ 1,800	-	Yes	None
Ramiro Alejandro 1203 Baker St. Robstown, Texas 78380	Secretary	5/7/2022 Elected	\$ 1,800	-	Yes	None
Rene M Vela Jr 117 Mesa Dr Robstown, Texas 78380	Director	5/7/2022 Elected	\$ 1,800	-	Yes	None
Jose Angel Rodriguez 523 Marie Robstown, Texas 78380	Director	5/2/2024 Elected	\$ 1,800	-	Yes	None

Note: No director is disqualified from serving on this board under the Texas Water Code.

The accompanying notes are an intergral part of this statement.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**  
**TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**YEAR ENDED JANUARY 31, 2021**

Complete District Mailing Address: 501 E. Main Street  
 Robstown, Texas 78380

District Business Telephone No. 361-387-4549

Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 49.060) \$ 1,800

Relationships  
 With Major  
 Land Owners,  
 Engineer/  
 Attorney  
 and  
 Tax Assessor

Name and Address	Title	Expiration of Term	Fees	Resident of District	Tax Assessor
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**Key Administrative Personnel**

Marcos Alaniz 3681 Co Rd. 50 Robstown, Texas 78380	District Manager	12/23/2024	\$111,240	Yes	None
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Addie Salinas-Hollers P. O. Box 1147 Robstown, Texas 78380	Manager of Finance and Administrative	9/15/2022	\$103,131	No	None
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**District Engineer**

LNV Engineering, Inc. 801 Navigation Blvd #300 Corpus Christi, Texas 78408	Engineer		101,300	No	None
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**District Legal Council:**

Armando B Gonzalez, Jr. 924 Leopard Street Corpus Christi, Texas 78401	Attorney		50,000	No	None
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Ernest R. Garza & Company, P.C. CPA'S 10201 Leopard #A Corpus Christi, Texas 78410	Independent Auditor	6/2020	30,000	No	None
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The accompanying notes are an intergral part of this statement.

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