

MEMORANDUM

TO: South Texas Water Authority Board of Directors  
FROM: Brandon Barrera, President  
DATE: January 17, 2022  
SUBJECT: Meeting Notice and Agenda for the South Texas Water Authority

A Regular Meeting of the STWA Board of Directors is scheduled for:

**Tuesday, January 25, 2022**  
5:30 p.m.  
South Texas Water Authority  
2302 East Sage Road, Kingsville, Texas

The Board will consider and act upon any lawful subject which may come before it, including among others, the following:

Agenda

1. Call to order.
2. Citizen comments. This is an opportunity for citizens to address the Board of Directors concerning an issue of community interest that is not on the agenda. Comments on the agenda items must be made when the agenda item comes before the Board. The President may place a time limit on all comments. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issue is limited to a proposal to place it on the agenda for a later meeting.
3. Proposed Fiscal Year 2021 Audit. (Attachment 1)
4. **Resolution 22-01.** Resolution accepting the Fiscal Year 2021 Audit prepared by John Womack & Co., P.C. of Kingsville, Texas. (Attachment 2)
5. Discussion and action on STWA website by Rural Water Impact.
6. Approval of Minutes. (Attachment 3)
7. Report Presentation and Approval: (Attachment 4)
  - Treasurer's Report
  - Payment of Bills.
  - O&M Report
  - CP Update
  - Anticipated vs. Actual Water Rate Charged/Net Revenue
8. Renewal of Management Services Contract with JMAR Management Consulting. LLC.
9. Report on purchase of materials to build up STWA stockpile of materials.

10. Feasibility of Part Time Accountant Assistant.
11. Presentation – Rebranding of STWA logo.
12. Update on Nueces County project for construction of Banquete Pump Station to serve the Nueces County Water Control & Improvement District #5 (Banquete) and Nueces Water Supply Corporation – Utility Conveyance Agreement(s) conveying facilities from Nueces County to South Texas Water Authority and Nueces Water Supply Corporation
13. Update of Wholesale Water Supply Contract with the City of Corpus Christi.
14. Update on conveyance of section of STWA’s 42” waterline to the City of Corpus Christi.
15. Update on Nueces County Water Control and Improvement District #5 Wholesale Water Supply Contract and Contract for Operation and Maintenance of Facilities.
16. Administration Report.
17. Adjournment.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session, a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government Code, authorizing the closed session.

BB/JM/fdl  
Attachments

This meeting notice was posted on  
STWA's website, [www.stwa.org](http://www.stwa.org), and on  
indoor and outdoor bulletin boards at  
STWA's administrative offices,  
2302 East Sage Road, Kingsville, Texas at  
4:30 am/pm on January 21, 2022  
*James DeLeon*  
Assistant Secretary

ATTACHMENT 1

Proposed FY 2021 Audit

SOUTH TEXAS WATER AUTHORITY

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

**STWA**

**SOUTH TEXAS WATER AUTHORITY**

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South Texas Water Authority  
Annual Financial Report  
For The Year Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	A-6
Notes to the Financial Statements .....	18	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	31	B-1
<u>Budgetary Comparison Schedules as Supplementary Information:</u>		
Debt Service Fund.....	32	C-1
Capital Improvements Fund.....	33	C-2
Other Supplementary Information:		
Schedule of Rates and Services.....	34	
Schedule of Temporary Investments.....	36	
Analysis of Taxes Receivable.....	37	
Analysis of Changes in Long-Term Debt.....	38	
Comparative Schedule of Revenues and Expenditures-General and Debt Service Funds...	39	
Schedule of Insurance Coverage.....	41	
Board Members, Key Personnel and Consultants.....	42	

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**SOUTH TEXAS WATER AUTHORITY**

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*Financial Section*



**STWA**

**SOUTH TEXAS WATER AUTHORITY**

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

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**Independent Auditor's Report**

To the Board of Directors  
South Texas Water Authority  
2302 East Sage Road  
Kingsville, Texas 78363

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Texas Water Authority ("the Authority") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 Responsibilities for the Audit of the Financial Statements**

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. 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 Authority'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 Authority'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 governmental activities, each major fund, and the aggregate remaining fund information of South Texas Water Authority as of September 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

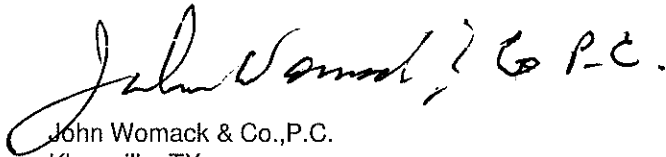
## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Texas Water Authority's basic financial statements.

Respectfully submitted,



John Womack & Co., P.C.  
Kingsville, TX  
December 22, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Texas Water Authority's ("the Authority") annual financial report represents our discussion and analysis of the Authority's financial performance during the Fiscal Year ended September 30, 2021. Please read it in conjunction with the Authority's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

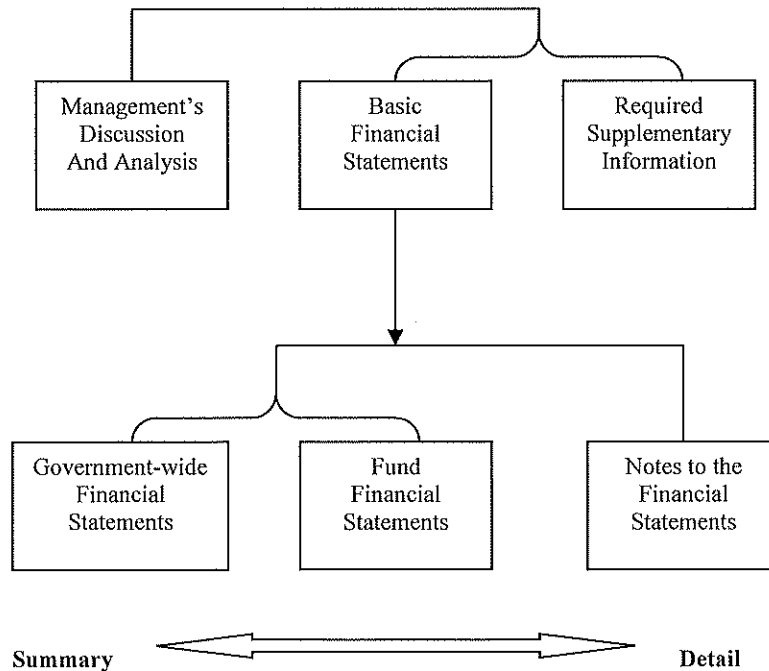
- The Authority's total net position was \$9,385,184 at September 30, 2021.
- During this year, the Authority's expenses, including depreciation, were \$256,508 less than the \$4,429,540 generated in taxes and other revenues for water related sales and management fees.
- The General Fund reported a fund balance this year of \$3,978,075.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Authority's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Authority's operation in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

Figure A-1. Required Components of the Authority's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the Authority's financial statements, including the portion of the Authority they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2. Major Features of the Authority's Government-Wide and Fund Financial Statements</b>		
<i>Type of Statements</i>	<b>Government-Wide</b>	<b>Governmental Funds</b>
<i>Scope</i>	Entire Authority's government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary
<i>Required financial statement</i>	*Statement of net position	*Balance Sheet
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

### **Government-Wide Statements**

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how they have changed. Net position -- the difference between the Authority's assets and liabilities -- are one way to measure the Authority's financial health or *position*.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, you need to consider additional non-financial factors such as changes in the Authority's tax base.

The financial statements of the Authority include the Governmental activities. The Authority's basic service is wholesale water. Water revenue, property taxes and management fees finance most of these activities.

### **Fund Financial Statements**

- The *fund financial statements* focus on individual parts of the Authority, reporting the Authority's operations in greater detail than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

- All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary funds.

The Authority has two fund types:

- Governmental funds - Most of the Authority's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or difference) between them.
- Fiduciary funds – These statements provide information about the financial relationships in which the Authority acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources belong. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governments. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

### Net position

The Authority's combined net position were \$9,385,184 at September 30, 2021.  
(See Table A-1)

**Table A-1**  
**The Authority's Net Position**

	Governmental Activities		% Change
	2021	2020	
Current and other assets	\$ 4,693,567	\$ 4,652,145	0.89%
Capital and non-current assets	8,471,012	8,578,991	-1.26%
<b>Total Assets</b>	<u>13,164,579</u>	<u>13,231,136</u>	-0.50%
Current liabilities	449,756	512,758	-12.29%
Long-term liabilities	3,329,639	3,589,702	-7.24%
<b>Total Liabilities</b>	<u>3,779,395</u>	<u>4,102,460</u>	-7.87%
Net position			
Net Investment			
in capital assets	4,962,246	4,825,792	2.83%
Restricted	1,031,486	1,166,919	-11.61%
Unrestricted	3,391,452	3,135,965	8.15%
<b>Total Net Position</b>	<u>\$ 9,385,184</u>	<u>\$ 9,128,676</u>	2.81%

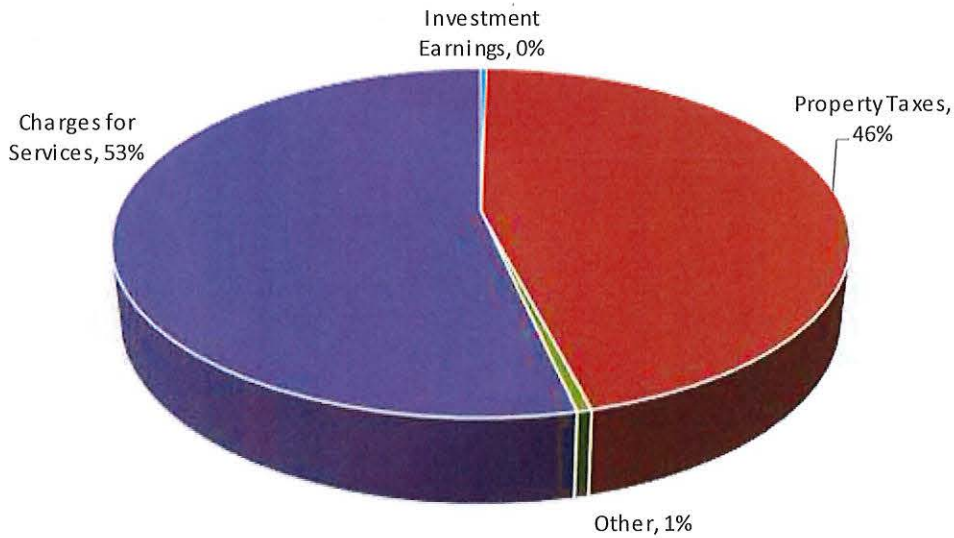
The \$3,391,452 of unrestricted net position represents resources available to fund the operations of the Authority in the next year.

### Changes in balance sheet

Current and other assets increased \$41,422, or 0.89%, as a result of operations and ongoing capital projects, and capital assets decreased primarily due to current year depreciation. Current liabilities decreased by \$63,002 or 2.29% due to a decrease in accounts payable.

### Changes in net position

The Authority's total revenues were \$4,429,540. A significant portion, 53%, of the Authority's revenue was derived from water and management service revenues. Approximately 46% was from property taxes, and the remaining 1% was generated from investment earnings and other revenues. The total expenses were \$4,173,032, of which \$1,396,843 was for purchased water costs, and that was up by 2.45% from the prior year. Payroll costs increased by \$33,009 or by 2.8% over 2020, to \$1,198,118.



### Governmental Activities

- The Operation and Maintenance tax rate increased slightly to \$0.070971 and the Debt Service tax rate decreased slightly to \$0.015940 per \$100 valuation. An increase in assessed valuations of \$86,113,480, or 3.90% resulted in an increase in tax revenue of \$93,823 which was 4.87% more than tax revenues in the preceding year.
- The cost of all governmental activities this year was \$4,173,032.
- However, the amount that our taxpayers paid for these activities through property taxes was \$2,023,626.
- A majority portion of the costs were paid by those who directly benefited from water service, \$2,369,390, or a 1.46% increase from last year.

**Table A-2**  
**Authority Revenues and Expenses**

	<u>Governmental Activities</u>		<u>Total % Changes</u>
	<u>2021</u>	<u>2020</u>	
Revenues:			
Program Revenues:			
Charges for service	\$ 2,369,390	\$ 2,335,403	1.46%
General Revenues:			
Property taxes	2,023,626	1,929,803	4.86%
Investment earnings	12,245	36,035	-66.02%
Miscellaneous	24,279	47,812	-49.22%
Total Revenue	<u>4,429,540</u>	<u>4,349,053</u>	1.85%
Expenses:			
Cost of water sales	1,396,843	1,362,680	2.51%
Other operating expenses	2,036,615	1,948,973	4.50%
Depreciation	<u>739,574</u>	<u>725,320</u>	1.97%
Total Expenses	<u>4,173,032</u>	<u>4,036,973</u>	3.37%
Increase (Decrease) in net position	256,508	312,080	-17.81%
Beginning - net position	<u>9,128,676</u>	<u>8,816,596</u>	3.54%
Ending - net position	<u>\$ 9,385,184</u>	<u>\$ 9,128,676</u>	2.81%

Table A-3 presents the cost of each of the Authority's largest functions as well as each function's *net cost* (total cost less fees generated by the charges for services). The net cost reflects what was funded by local tax dollars, and other income.

**Table A-3**  
**Net Cost of Selected Authority Functions**

	<u>Total Cost of Services</u>		<u>% Change</u>	<u>Net Cost of Services</u>		<u>% Change</u>
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
Water Delivery	\$ 4,173,032	\$ 4,036,973	3.37%	\$ 1,803,642	\$ 1,701,570	6.00%

**FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

Revenues from governmental fund types total \$4,418,988. The vast majority of revenues were generated from tax revenues, water sales and management fees.

**General Fund.** The South Texas Water Authority sold water to all customers at the same rate during Fiscal Year 2021. The wholesale cost of water to the customers included the cost of water from the City of Corpus Christi, which varies slightly since it is based on the number of gallons purchased, and a fixed handling charge of \$0.426386 per 1,000 gallons of water. The average charge per 1,000 gallons was \$2.96.



Nueces County Water Control and Improvement District #5 is outside the Authority's taxing district, therefore, an "in Lieu of Taxes" fee is charged monthly to NCWCID #5. The monthly fee for Fiscal Year 2021 is \$815.01.

In Fiscal Year 2021, the Authority paid \$1,396,843 for the purchase of approximately 553.00 million gallons of treated water from the City of Corpus Christi and the Authority's wholesale customers paid \$1,685,244 for the delivered water, with a difference of \$30,817 from the total paid to the City of Corpus Christi. This compares to Fiscal Year 2020 when the Authority paid \$1,362,680 for the purchase of approximately 539.85 million gallons and the Authority's wholesale customers paid \$1,685,449.

During FY 2017, NewGen Strategies, Inc., a rate consultant, was hired to research whether any financial risk exists for the Authority as a result of wholesale customers that do not enter into a long-term contract. The study found that there is and recommended the adoption of a premium rate increase for those customers. The Board adopted an Order to that effect which was effective as of December 1, 2017. The Nueces County Water Control and Improvement District #5 pays a premium of \$0.426386 per 1,000 gallons. NCWCID #5 is the only wholesale customer that has not entered into a long-term contract as of September 30, 2021.

South Texas Water Authority manages Nueces Water Supply Corporation and Ricardo Water Supply Corporation by management contracts. The Authority charges the Corporations for various services including operations, administration, meter readings, billing and notices, water samples, taps, extensions, and repairs. The agreement allows the Authority and Corporations to utilize the equipment and manpower needed to operate efficiently. The Authority analyzes the charges for services to the Corporations biannually to assure that the Authority is fully compensated by the Corporations.

## **BUDGETARY HIGHLIGHTS**

**General Fund.** The Authority amended its budget after six months and at the end of the Fiscal Year. Even with these adjustments, actual expenditures were \$202,884 below final budget amounts. The most significant positive variance resulted from capital outlays, which were \$113,656 below the final budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The South Texas Water Authority's investment in capital assets as of September 30, 2021 amounts to \$27,869,841, which includes land, buildings, water systems and vehicles. This amount represents a net increase, including additions and deductions, of \$599,448 compared to last year. The Authority's policy is to capitalize all individual capital items over \$5,000. Accumulated depreciation increased by \$707,427 which includes additions and deductions.

**Table A-4  
Authority's Capital Assets**

	Governmental Activities		Total % Change
	2021	2020	
Land and easements and right of ways	\$ 1,242,369	\$ 1,213,517	2.38%
Construction in progress	856,793	364,503	135.06%
Total capital assets not being depreciated	<u>2,099,162</u>	<u>1,578,020</u>	33.03%
Buildings	843,772	843,772	0.00%
Water system	23,974,270	23,923,016	0.21%
Machinery and equipment	497,382	482,440	3.10%
Vehicles	315,407	333,049	-5.30%
Furniture and fixtures	139,848	110,096	27.02%
Total Depreciable Assets	<u>25,770,679</u>	<u>25,692,373</u>	0.30%
Totals at historical cost	27,869,841	27,270,393	2.20%
Total accumulated depreciation	<u>(19,398,829)</u>	<u>(18,691,402)</u>	3.78%
Net capital assets	<u>\$ 8,471,012</u>	<u>\$ 8,578,991</u>	-1.26%

The Authority had general obligation bonds of \$3,405,000, related premium and discount of \$103,769 and \$76,092 in long-term outstanding compensated absences at year end.

**Table A-5  
Authority's Long-Term Debt**

	2021	2020	Total % Change
General Obligation Bonds			
Series 2013	\$ 3,405,000	\$ 3,640,000	-6.46%
Premium & Discount	103,769	113,202	-8.33%
Accrued Compensated Absences	76,092	89,380	-14.87%
Total Long-Term Debt	<u>\$ 3,584,861</u>	<u>\$ 3,842,582</u>	-6.71%

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATE**

**General Fund**

- Appraised values used for the 2021 tax year are up by \$86,113,480, or 3.90% from 2020.
- The taxes collected are for Operations and Maintenance and Debt Service, and the combined tax rate is at \$0.082426 per \$100 valuation.
- The cost per 1,000 gallons is the handling charge of \$0.426386 plus the monthly cost of water from the City of Corpus Christi except for Nueces County Water Control & Improvement District #5, which pays an additional in lieu of taxes rate of \$796.82 per month.

These indicators were taken into account when adopting the General Fund Budget for FY 2022. Budgeted revenues are \$4,039,070, a decrease of \$7,999 from actual Fiscal Year 2021. The anticipated tax revenues for the Fiscal Year 2021 at a 95.30% collection rate are \$1,593,934 which will be used to cover a portion of the Authority's fixed costs such as insurance, payroll, legal, repairs, capital expenditures, appraisal district and tax assessor collector fees.

Expenditures are budgeted to decrease in capital outlays, and to increase, primarily, in recurring operating costs due to the inflationary outlook.

The 2022 adopted budget indicates that South Texas Water Authority is operating under a budget with a \$498,630 ending fund balance. This includes \$83,000 for capital outlays for a new truck, a new postage machine, and technology upgrades. An additional truck may be added since last year's truck never arrived.

Beginning October 1, 2005, South Texas Water Authority implemented a different method of charging for water whereby the customers are billed a variable rate based on the monthly cost of water from the City of Corpus Christi, plus a handling charge, which, for fiscal year 2022, remains at \$0.426386 per 1,000 gallons.

The City of Agua Dulce, Ricardo Water Supply Corporation and Nueces Water Supply Corporation signed 20-year contracts during Fiscal Year 2015. During FY 2017, negotiations for a long-term contract continued with the City of Kingsville, City of Bishop, City of Driscoll and the Nueces County Water Control and Improvement District #5. These negotiations resulted in a long-term contract with the City of Kingsville with an initial 5-year term. The City of Kingsville contract stipulates that it will, beginning in 2018, purchase \$350,000 of water at the rate described above, increasing \$10,000 per year over the next five years, reaching a total of \$400,000, at the end of the initial 5 years with three (3) automatic 5-year renewals, provided neither party gives notice of termination or a desire to re-negotiate the contract provisions. In addition, a similar contract has been accepted by the City of Bishop; but, is contingent on a license agreement for the usage of the Bishop East location. In FY 2020, the City of Driscoll also accepted a contract with an additional agreement for STWA to provide O&M services for the City at a cost contingent on 5 year average repairs divided by water usage.

Nueces County Water Control and Improvement District #5 is outside the Authority's taxing district. Therefore, an "in Lieu of Taxes" fee is charged monthly to NCWCID #5. This is calculated by multiplying NCWCID #5's taxable value, obtained from the Nueces County Appraisal District, by STWA's tax rate. The fee is divided into 12 monthly payments. The fee for fiscal year 2022 is \$796.82 per month. Negotiations continue on a long-term contract with NCWCID #5.

#### **Debt Service Fund**

STWA also collects a Debt Service tax to pay for the \$5,110,000 in bonds that sold in May 2013. Anticipated tax revenue of \$348,550 to cover Fiscal Year 2022 principal and interest payment on the bonds will be collected.

#### **Capital Projects Fund**

On November 6, 2012, South Texas Water Authority had three bond proposals on the ballot of the General Election. Proposition #1 was for the issuance of \$1,900,000 water system improvement bonds for relocation of the Authority's regional water transmission line as a result of TXDOT's upgrade of US Hwy 77 to interstate standards and the levy of taxes in payment of the bonds. Proposition #2 was for the issuance of \$2,925,000 water system improvement bonds for storage tank and pump improvements at the Kingsville Pump Station and the levy of taxes in payment of the bonds. Proposition #3 was for the issuance of \$375,000 water system improvement bonds for installation of pumps at the Bishop pump station and facility improvements at the Bishop Westside pump station and the levy of taxes in payment of the bonds.

All three propositions passed. Proposition 3 was completed in Fiscal Year 2015 while Proposition 1 was completed in Fiscal Year 2016. Proposition 2 was completed in Fiscal Year 2017. A portion of those remaining funds were used to complete construction of the Driscoll LAS Booster Station which will enable injection of chloramines into the 42" transmission line. This project is a direct result of the TCEQ Order which requires a 0.5 mg/l chloramine residual to be maintained in all portions of STWA's waterlines. The remaining funds will be used to install anodes for Cathodic Protection on the 42" distribution line and other improvements to the South Texas Water Authority's regional system.

The Authority sold \$5,110,000 of water system improvement bonds for the above three mentioned projects.

#### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact the South Texas Water Authority at (361) 592-9323.

**STWA**

**SOUTH TEXAS WATER AUTHORITY**

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*Basic Financial Statements*

**SOUTH TEXAS WATER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Assets:	
Cash and Investments	\$ 4,144,905
Receivables:	
Property Taxes	254,025
Allowance for Uncollectible Taxes	(99,946)
Service Accounts	263,185
Due from Other Governments	350
Inventory	24,168
Note Receivable	80,805
Capital Assets, net	8,471,012
Other Assets	26,075
<b>Total Assets</b>	<b><u>13,164,579</u></b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities:	
Accounts Payable	181,155
Accrued Interest Payable	13,383
Current Portion of Long-Term Liabilities:	
Bonded Debt Payable	240,000
Accumulated Unpaid Compensated Absences	15,218
Non-current Portion of Long-Term Liabilities:	
Bonded Debt Payable	3,268,766
Accumulated Unpaid Compensated Absences	60,873
<b>Total Liabilities</b>	<b><u>3,779,395</u></b>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	4,962,246
Restricted For:	
Debt Service	309,296
Construction	722,190
Unrestricted	3,391,452
<b>Total Net Position</b>	<b><u>\$ 9,385,184</u></b>

The accompanying notes are an integral part of this statement.

**SOUTH TEXAS WATER AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Governmental Activities:</u>		<u>Charges for Services</u>	<u>Governmental Activities</u>
Water Delivery	\$ 4,173,032	\$ 2,369,390	\$ (1,803,642)
Total Government Activities	<u>4,173,032</u>	<u>2,369,390</u>	<u>(1,803,642)</u>
Total Primary Government	<u>\$ 4,173,032</u>	<u>\$ 2,369,390</u>	<u>(1,803,642)</u>
General Revenues:			
Property Taxes			2,023,626
Unrestricted Investment Earnings			12,245
Miscellaneous Income			24,279
Transfers			--
Total General Revenues and Transfers			<u>2,060,150</u>
Change in Net Assets			<u>256,508</u>
Net Assets - Beginning			9,128,676
Net Assets - Ending			<u>\$ 9,385,184</u>

The accompanying notes are an integral part of this statement.



**SOUTH TEXAS WATER AUTHORITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash and Investments	\$ 3,666,190	\$ 88,321	\$ 390,394	\$ 4,144,905
Receivables:				
Property Taxes	197,228	56,797	--	254,025
Allowance for Uncollectible Taxes	(88,575)	(11,371)	--	(99,946)
Service Accounts	263,185	--	--	263,185
Due from Other Governments	271	79	--	350
Due from Other Funds	125,520	1,950	9,816	137,286
Inventory	24,168	--	--	24,168
Note Receivable	80,805	--	--	80,805
Other Assets	26,075	--	--	26,075
<b>Total Assets</b>	<b>\$ 4,294,867</b>	<b>\$ 135,776</b>	<b>\$ 400,210</b>	<b>\$ 4,830,853</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 181,155	\$ --	\$ --	\$ 181,155
Compensated Absences	15,218	--	--	15,218
Due to Other Funds	11,766	19,415	106,105	137,286
<b>Total Liabilities</b>	<b>208,139</b>	<b>19,415</b>	<b>106,105</b>	<b>333,659</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Tax Revenue	108,653	45,426	--	154,079
<b>Total Deferred Inflows of Resources</b>	<b>108,653</b>	<b>45,426</b>	<b>--</b>	<b>154,079</b>
<b>FUND BALANCES:</b>				
Restricted for Capital Projects	--	--	294,105	294,105
Restricted for Debt Service	--	70,935	--	70,935
Nonspendable - Inventory	24,168	--	--	24,168
Unassigned Fund Balance	3,953,907	--	--	3,953,907
<b>Total Fund Balances</b>	<b>3,978,075</b>	<b>70,935</b>	<b>294,105</b>	<b>4,343,115</b>
<b>Total Liabilities, Deferred Inflows, and Equity</b>	<b>\$ 4,294,867</b>	<b>\$ 135,776</b>	<b>\$ 400,210</b>	<b>\$ 4,830,853</b>

The accompanying notes are an integral part of this statement.

**SOUTH TEXAS WATER AUTHORITY**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2021*

Total fund balances - governmental funds balance sheet	\$ 4,343,115
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,471,012
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	154,079
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,405,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(13,383)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(60,873)
Bond premiums are amortized in the SNA but not in the funds.	<u>(103,766)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,385,184</u>

The accompanying notes are an integral part of this statement.

**SOUTH TEXAS WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
Revenue:				
Water Service Revenue	\$ 1,685,244	\$ 1,794	\$ --	\$ 1,687,038
Tax Revenue	1,643,299	369,775	--	2,013,074
Interest	11,895	81	269	12,245
Service Revenue	682,352	--	--	682,352
Other Revenue	24,279	--	--	24,279
Total revenues	<u>4,047,069</u>	<u>371,650</u>	<u>269</u>	<u>4,418,988</u>
Expenditures:				
Current:				
Water Service Expenditure:				
Purchased Water	1,396,843	--	--	1,396,843
Payroll Cost	1,198,118	--	--	1,198,118
Supplies and Materials	150,872	--	--	150,872
Other Operating Expenditures:				
Professional Fees	193,241	18,523	--	211,764
Supplies and Materials	176,237	--	--	176,237
Recurring Operating Cost	196,350	--	--	196,350
Debt Service & Related Costs	--	348,450	--	348,450
Miscellaneous	10,133	--	--	10,133
Capital outlay	203,844	--	428,085	631,929
Total expenditures	<u>3,525,638</u>	<u>366,973</u>	<u>428,085</u>	<u>4,320,696</u>
Net Change in Fund Balance	521,431	4,677	(427,816)	98,292
Fund balances/equity, October 1	3,456,644	66,258	721,921	4,244,823
Fund balances/equity, September 30	<u>\$ 3,978,075</u>	<u>\$ 70,935</u>	<u>\$ 294,105</u>	<u>\$ 4,343,115</u>

The accompanying notes are an integral part of this statement.

**SOUTH TEXAS WATER AUTHORITY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ 98,292
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	631,929
The depreciation of capital assets used in governmental activities is not reported in the funds.	(739,575)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(333)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	10,552
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	235,000
(Increase) decrease in accrued interest from beginning of period to end of period.	10,013
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>10,630</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 256,508</u>

The accompanying notes are an integral part of this statement.

**SOUTH TEXAS WATER AUTHORITY**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

A. Summary of Significant Accounting Policies

The combined financial statements of South Texas Water Authority (the "Authority") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The South Texas Water Authority was created by H.B. 2223 of the 66th Texas Legislature, Regular Session, 1979, (the "Act") as a conservation and reclamation Authority under the provisions of Article XVI, Section 59, of the Constitution of the State of Texas. The Authority was formed to construct and operate a regional water supply system in Kleberg and Nueces Counties. The Board of Directors held its first meeting in August, 1979, and the first bond issue was sold in December of 1981. The members of the Board of Directors are appointed by the Commissioner's Courts. However, the governing body has authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters.

The Authority's basic financial statements include the accounts of all its operations. The Authority evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the Authority has no component units. Additionally, the Authority is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Authority does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**SOUTH TEXAS WATER AUTHORITY**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

The Authority reports the following major governmental funds:

**General Fund.** This is the Authority's primary operating fund. It accounts for all financial resources of the Authority except those required to be accounted for in another fund.

**Debt Service Fund.** The Authority accounts for revenues collected to pay interest on and retire long-term debt, including bonds, long-term mortgage notes, etc., in this fund, which is a budgeted fund.

**Capital Projects Fund:** The Authority accounts for proceeds from the sale of bonds, and related expenditures for capital improvements, in this fund.

b. Measurement Focus, Basis of Accounting

**Government-wide Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, with the exception of property taxes which are fully deferred. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Authority incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The assessed value of the roll on January 1, 2020, upon which the levy for the 2021 fiscal year was based, was \$2,289,816,177, net of exemptions.

The tax rate assessed for the year ended September 30, 2021, to finance General Fund operations was \$.070971 per \$100 valuation, and the Debt Service Fund tax rate was \$0.015940 per \$100 valuation.

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Current tax collections for the year ended September 30, 2021 were 97.1% of the year-end adjusted tax levy.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the Authority is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the Authority:

	Balance 10/01/20	Current Year Levy(1)	Total Collections	Yearly Adjustments	Balance 09/30/21
Delinquent Taxes					
Receivable	\$ 246,256	\$ 1,989,926	\$ 1,978,963	\$ (3,194)	\$ 254,025
Allowance for Uncollectible Taxes	(99,945)				(99,945)
Net Delinquent Taxes Receivable	\$ 146,311	\$ 1,989,926	\$ 1,978,963	\$ (3,194)	\$ 154,080

(1) Year-end adjusted tax levy.

b. Inventories and Prepaid Items

The Authority records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment

**SOUTH TEXAS WATER AUTHORITY**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration or use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2021.

d. Receivable and Payable Balances

The Authority believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Deferred Inflows and Outflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Compensated Absences

The Authority provides vacation time for employees at the rate of 8 hours per month up to 5 years of service at which time it increases to 10 hours per month, and over 10 years of service, a one-time longevity adjustment is made to the salary equal to 80 hours of pay divided by 2,080 hours. This compensation is for two weeks of vacation no longer given after ten years. Sick leave accumulates at the rate of 2 hours per week, and personal leave accumulates at the rate of 2 hours per month. 100% of accumulated vacation (up to 480 hours), personal, and compensatory time (up to 240 hours) is paid upon termination of employment for any reason, but accumulated unpaid sick leave is not paid upon termination.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.



**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the Authority's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Authority itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

6. Implementation of New Standards

In the current fiscal year, the Authority did not implement any new standards from the Governmental Accounting Standards Board (GASB).

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2021, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$431,659 and the bank balance was \$445,337. The Authority's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Investments:

The Authority is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Authority adhered to the requirements of the Act. Additionally, investment practices of the Authority were in accordance with local policies.

The Act determines the types of investments which are allowable for the Authority. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The Authority's investment at September 30, 2021 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool, rated AAAM	N/A	\$ 3,322,853
TexStar Investment Pool, rated AAAAM	N/A	390,394
Total Investments		<u>\$ 3,713,247</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the Authority was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Authority was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

At year end, the Authority was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Authority was not exposed to concentration of credit risk.

**SOUTH TEXAS WATER AUTHORITY**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to foreign currency risk.

Investment Accounting Policy

The Authority's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

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

TexSTAR

The Authority invests in the Texas Short Term Asset Reserve Program (TexSTAR), which 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. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

TexPool

The Authority invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

D. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land, Easements, & Right of Ways	\$ 1,213,517	\$ 28,852	\$ --	\$ 1,242,369
Construction in progress	364,503	492,290	--	856,793
Total capital assets not being depreciated	<u>1,578,020</u>	<u>521,142</u>	<u>--</u>	<u>2,099,162</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	843,772	--	--	843,772
Water Systems	23,923,017	51,253	--	23,974,270
Machinery & Equipment	482,441	24,280	9,339	497,382
Autos & Trucks	333,048	--	17,641	315,407
Furniture & Fixtures	110,096	35,253	5,501	139,848
Total capital assets being depreciated	<u>25,692,374</u>	<u>110,786</u>	<u>32,481</u>	<u>25,770,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(507,457)	(20,678)	--	(528,135)
Water Systems	(17,561,170)	(627,582)	--	(18,188,752)
Machinery & Equipment	(334,400)	(35,897)	(11,207)	(359,097)
Autos & Trucks	(221,765)	(37,371)	(17,641)	(241,495)
Furniture & Fixtures	(66,611)	(18,046)	(3,300)	(81,357)
Total accumulated depreciation	<u>(18,691,403)</u>	<u>(739,574)</u>	<u>(32,148)</u>	<u>(19,398,829)</u>
Total capital assets being depreciated, net	<u>7,000,971</u>	<u>(628,788)</u>	<u>333</u>	<u>6,371,850</u>
Governmental activities capital assets, net	<u>\$ 8,578,991</u>	<u>\$ (107,646)</u>	<u>\$ 333</u>	<u>\$ 8,471,012</u>

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**E. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Projects	\$ 106,105	Capital projects expenditures
General Fund	Debt Service Fund	19,415	Short-term loans
Debt Service Fund	General Fund	1,950	Short-term loans
Capital Projects	General Fund	9,816	Refund of expenditures
	Total	<u>\$ 137,286</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

There were no transfers to or from other funds during the year ended September 30, 2021.

**F. Long-Term Obligations**

The Authority has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the Authority.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
<b>General obligation bonds:</b>					
Series 2013	\$ 3,640,000	\$ --	\$ 235,000	\$ 3,405,000	\$ 240,000
Premium & Discount	113,202	--	9,433	103,769	--
Compensated absences	89,380	35,854	49,142	76,092	15,218
Total governmental activities	<u>\$ 3,842,582</u>	<u>\$ 35,854</u>	<u>\$ 293,575</u>	<u>\$ 3,584,861</u>	<u>\$ 255,218</u>

Bonds Payable consist of the following:

\$5,110,000 General Obligation Bonds Series 2013, payable in annual installments of \$348,550 to \$346,722 including interest at 2.00% to 3.50%, for various construction projects, maturing on August 15, 2033.

	2021	2020
	<u>\$ 3,405,000</u>	<u>\$ 3,640,000</u>

**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 240,000	\$ 108,550	\$ 348,550
2023	245,000	101,350	346,350
2024	255,000	94,000	349,000
2025	260,000	86,350	346,350
2026	270,000	78,550	348,550
2027-2031	1,475,000	265,225	1,740,225
2032-2036	660,000	34,825	694,825
Totals	<u>\$ 3,405,000</u>	<u>\$ 768,850</u>	<u>\$ 4,173,850</u>

G. Risk Management

The Authority 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. During fiscal year 2021, the Authority obtained 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 Authority pays an annual premium to TML for its above insurance 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 of coverage has its own level of reinsurance. The Authority 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.

H. Health Care Coverage

During the year ended September 30, 2021, employees of the Authority were covered by a health insurance plan (the Plan). The Authority paid premiums of \$2,080 on average per month per employee and dependents to the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Authority and the licensed insurer is renewable November 1, 2021, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2020, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

I. Commitments and Contingencies

1. Contingencies

The Authority participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**SOUTH TEXAS WATER AUTHORITY**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

2. Litigation

No reportable litigation was pending against the Authority at September 30, 2021.

J. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through December 22, 2021 (the date of the audit report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

K. Retirement Plan

*Plan Description*

All full-time employees are covered under the South Texas Water Authority Thrift Plan and Trust, a defined contribution pension plan, established October 1, 1983. As of September 30, 2021, there were 18 plan members. Eligible employees contribute 7.5% of their pre-tax earnings, and may elect to contribute up to 4.5% of their post-tax earnings (for a total of up to 12%), which are matched dollar for dollar by the Authority. The participants become 20% vested in employer contributions after two years of participation and an additional 20% for each year of service thereafter. Employees may receive their vested portion of benefits upon termination. Contributions to the plan by the Authority for the years ended September 30, 2021 and 2020 amounted to \$87,856 and \$87,039, respectively, or 11.39% and 11.33% based on payroll expense of \$771,367 and \$768,004 respectively. The Plan is administered by C&M Administrators, Inc. (formerly Carley and McCaw, Inc.). Plan provisions and contribution requirements are established and may be amended by the Authority's board of directors. There were no forfeitures in fiscal years ending September 30, 2020 or 2021.

L. Water Service Contracts

1. Wholesale Water Rates

Beginning October 1, 2005, South Texas Water Authority implemented a different method of charging for water whereby the customers are billed a variable rate based on the monthly cost of water from the City of Corpus Christi (see below) plus a handling charge, which, for fiscal year 2021, is \$.426386 per 1,000 gallons. These contracts expired on 10/01/2012. The City of Kingsville, the City of Agua Dulce, the City of Bishop, the City of Driscoll, the Nueces Water Supply Corporation, and the Ricardo Water Supply Corporation have entered into twenty year contracts that are based on the rate described above. The remaining customer, Nueces County Water Control and Improvement District #5, is currently paying monthly based on the terms of the expired contracts plus a premium fee adopted by the Board.

The City of Kingsville contract stipulates that it will, beginning in 2018, purchase \$350,000 of water at the rate described above, increasing \$10,000 per year over the next five years reaching a total of \$400,000.

Nueces County Water Control and Improvement District #5 is outside the Authority's taxing district. Therefore, an "In Lieu of Taxes" fee is charged monthly to NCWCID #5. This is calculated by multiplying NCWCID #5's taxable value, obtained from the Nueces County Appraisal District, by STWA's tax rate. The fee is divided into 12 monthly payments. The fee for fiscal year 2021 is \$815.01 per month.



**SOUTH TEXAS WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. Purchased Water Rates

In 1980, the South Texas Water Authority entered into an agreement to purchase water from the City of Corpus Christi. The purchase agreement is for a period of forty years commencing with the date on which water was first delivered to the Authority. The water rates beginning August 1, 1998, reflected treatment cost calculated on a declining block rate schedule. Beginning August 1, 2008, the treated water is no longer being calculated on a declining block schedule. The treated water is charged at a fixed rate per 1,000 gallons after the first 2,000 gallons. An additional cost for raw water is still charged using a fixed rate per 1,000 gallons.

Purchased water rates from the City of Corpus Christi are as follows:

Gallons	Rates as of 1/1/21	Rates as of 1/1/20
First 2,000	minimum of \$775.20	minimum of \$775.20
Over 2,000	\$1.459 per 1,000 gallons	\$1.464 per 1,000 gallons
Raw Water	\$1.148 per 1,000 gallons	\$1.032 per 1,000 gallons

M. Economic Dependency

The Authority has a very small base of seven customers that purchase water. Nueces Water Supply Corporation accounts for 29.36% of the Authority's water related revenue, the City of Kingsville accounts for 23.16% of the Authority's water related revenue, and Ricardo Water Supply Corporation account for 18.57% of the Authority's water related revenue.

N. COVID-19

In November of 2019, the United States learned of the virus known as COVID-19. Over the last year, it has changed the dynamics of the economy and, most recently, the New York Stock Exchange, which has exhibited significant volatility. The stock market remains highly unpredictable.

The Authority and its Board have no control over these global and national events, except to try to guide the Authority through these conditions they present. These conditions may include, but may not be limited to:

1. Unstable economic environment
2. Potentially violent fluctuations in the stock market
3. Potential shortages of basic goods and services
4. Potential challenges of providing a stable environment for the citizens
5. Managing any loss of revenue and unexpected expenditures that may occur

As of the audit report date, the pandemic has had no material effect on the Authority's financial statements as a result of these conditions.

O. Loan Receivable

The Authority established a loan receivable for \$122,152 with one of its customers for unpaid water supply bills, with payments of \$5,000 per month including interest at 10%, and final payment of \$2,156 in February, 2023. The loan is unsecured. The balance of the loan at September 30, 2021 is \$80,805.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**SOUTH TEXAS WATER AUTHORITY**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Water Service Revenue	\$ 1,644,412	\$ 1,685,261	\$ 1,685,244	\$ (17)
Tax Revenue	1,605,828	1,636,190	1,643,299	7,109
Interest	22,000	11,617	11,895	278
Service Revenue	626,619	669,033	692,352	13,319
Other Revenue	13,500	17,200	24,279	7,079
Total revenues	<u>3,912,359</u>	<u>4,019,301</u>	<u>4,047,069</u>	<u>27,768</u>
Expenditures:				
Current:				
Water Service Expenditure:				
Purchased Water	1,400,631	1,428,950	1,396,843	32,107
Payroll Cost	1,194,070	1,195,624	1,198,118	(2,494)
Supplies and Materials	194,000	197,000	150,872	46,128
Other Operating Expenditures:				
Professional Fees	182,652	192,805	192,241	(436)
Supplies and Materials	156,900	179,368	176,237	3,131
Recurring Operating Cost	218,850	207,275	196,350	10,925
Miscellaneous	7,500	10,000	10,133	(133)
Capital outlay	242,763	317,500	283,844	113,656
Total expenditures	<u>3,597,366</u>	<u>3,728,522</u>	<u>3,525,638</u>	<u>202,884</u>
Net Change in Fund Balance	314,993	290,779	521,431	230,652
Fund balances/equity, October 1	3,456,644	3,456,644	3,456,644	--
Fund balances/equity, September 30	<u>\$ 3,771,637</u>	<u>\$ 3,747,423</u>	<u>\$ 3,978,075</u>	<u>\$ 230,652</u>

**SOUTH TEXAS WATER AUTHORITY**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT C-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Water Service Revenue	\$ 1,772	\$ 1,788	\$ 1,784	\$ 6
Tax Revenue	381,898	372,010	369,775	(2,235)
Interest	4,250	88	81	(7)
Total revenues	<u>387,920</u>	<u>373,886</u>	<u>371,650</u>	<u>(2,236)</u>
Expenditures:				
Other Operating Expenditures:				
Professional Fees	18,448	18,700	18,523	177
Debt Service & Related Costs	348,450	348,450	348,450	--
Total expenditures	<u>366,898</u>	<u>367,150</u>	<u>366,973</u>	<u>177</u>
Net Change in Fund Balance	21,022	6,736	4,677	(2,059)
Fund balances/equity, October 1	66,258	66,258	66,258	--
Fund balances/equity, September 30	<u>\$ 87,280</u>	<u>\$ 72,994</u>	<u>\$ 70,935</u>	<u>\$ (2,059)</u>

**SOUTH TEXAS WATER AUTHORITY**  
 CAPITAL IMPROVEMENTS FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT C-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest	\$ 262	\$ 280	\$ 269	\$ (11)
Total revenues	262	280	269	(11)
Expenditures:				
Miscellaneous	--	10,000		10,000
Capital outlay	335,938	378,618	428,085	(49,467)
Total expenditures	335,938	388,618	428,085	(39,467)
Net Change in Fund Balance	(335,676)	(388,338)	(427,816)	(39,478)
Fund balances/equity, October 1	721,921	721,921	721,921	--
Fund balances/equity, September 30	\$ 386,245	\$ 333,583	\$ 294,105	\$ (99,478)

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**STWA**

**SOUTH TEXAS WATER AUTHORITY**

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SOUTH TEXAS WATER AUTHORITY  
 SCHEDULE OF RATES AND SERVICES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

**1. Services Provided by the District:**

<input type="checkbox"/> Retail Water	<input checked="" 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

Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

Other (specify) Management Services - Nueces and Ricardo Water Supply Corporations

**2. Retail Rates Based on 5/8" Meter:**

Retail Rates Not Applicable

**3. Retail Service Providers:**

This Section Not Applicable

**4. Total Water Consumption (In Thousands) During the Fiscal Year:**

Gallons pumped into system: 538,000,000

Gallons billed to customers: 564,264,050

**5. Standby Fees:**

Does the District assess standby fees:

Yes  
 No

For the most recent full fiscal year, FYE September 30, 2021:

Operations & Maintenance:	Total Levy	\$ 1,916,037
	Total Collected	\$ 1,893,276
	Percentage Collected	\$ 98.8%

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property?  Yes  No

(Continued)





SOUTH TEXAS WATER AUTHORITY  
SCHEDULE OF TEMPORARY INVESTMENTS  
SEPTEMBER 30, 2021

<u>FUNDS</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BALANCES AT END OF YEAR</u>
<u>GENERAL FUND</u>			
Interest Bearing	0.5000%	-	\$ 336,183
Interest Bearing	0.5000%	-	46,227
Interest Bearing	0.5000%	-	<u>49,098</u>
			<u>431,508</u>
Texpool	0.0279%	-	<u>3,234,531</u>
Total General Fund			<u>3,666,039</u>
<u>CAPITAL PROJECTS FUND</u>			
TexStar	0.0100%	-	<u>390,394</u>
Total Capital Projects Fund			<u>390,394</u>
<u>DEBT SERVICE FUND</u>			
Texpool	0.0279%	-	<u>88,322</u>
Total Debt Service Fund			<u>88,322</u>
TOTAL ALL FUNDS			<u>\$ 4,144,755</u>

SOUTH TEXAS WATER AUTHORITY  
ANALYSIS OF TAXES RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Maintenance & Operations and Interest & Sinking Taxes
Taxes receivable, beginning of year	\$	246,256
Tax levy		<u>1,989,926</u>
Total to be accounted for		<u>2,236,182</u>
Tax collections		
Current year		1,932,069
Prior years		46,893
Adjustments		<u>3,195</u>
Total collections & adjustments		<u>1,982,157</u>
Taxes receivable, end of year	\$	<u><u>254,025</u></u>

Property Valuations:	2018	2019	2020	2021
Land	\$ 277,692,844	\$ 337,684,199	\$ 347,777,190	\$ 354,094,478
Improvements	951,087,693	935,843,797	976,005,684	1,247,930,871
Personal Property	342,240,678	608,427,368	647,477,161	478,856,106
Minerals	193,801,749	62,717,653	232,442,662	208,934,722
Total	<u>\$ 1,764,822,964</u>	<u>\$ 1,944,673,017</u>	<u>\$ 2,203,702,697</u>	<u>\$ 2,289,816,177</u>

Tax rates per \$100 valuation

Kleberg	\$ 0.085170	\$ 0.086664	\$ 0.086911	\$ 0.086911
Nueces	0.085170	0.086664	0.086911	0.086911

Tax levy

Kleberg	924,466	988,630	1,031,138	1,059,021
Nueces	<u>581,415</u>	<u>697,502</u>	<u>884,899</u>	<u>930,905</u>
	<u>\$ 1,505,881</u>	<u>\$ 1,686,132</u>	<u>\$ 1,916,037</u>	<u>\$ 1,989,926</u>

Percent of current taxes collected  
to current taxes levied

96%	95%	98%	97%
-----	-----	-----	-----

Tax rates for overlapping jurisdictions. Include any taxing entities which overlap 10% or more of the district:

Taxing Jurisdiction	Tax Rate
County: Kleberg	\$ 0.785460
City: Kingsville	0.852080
School Districts: Kingsville Independent School District	1.518900
Total Authority (from above)	<u>0.086911</u>
Total overlapping tax rate	<u>\$ 3.243351</u>

SOUTH TEXAS WATER AUTHORITY  
ANALYSIS OF CHANGES IN LONG-TERM DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds, Series 2013	\$ 3,640,000	\$ -	\$ 235,000	\$ 3,405,000	\$ 240,000
Premium & Discount	113,202	-	9,433	103,769	-
Accrued Compensated Absences	<u>89,380</u>	<u>35,854</u>	<u>49,142</u>	<u>76,092</u>	<u>15,218</u>
	<u>\$ 3,842,582</u>	<u>\$ 35,854</u>	<u>\$ 293,575</u>	<u>\$ 3,584,861</u>	<u>\$ 255,218</u>

SOUTH TEXAS WATER AUTHORITY  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
 GENERAL FUND AND DEBT SERVICE FUND  
 FIVE YEARS ENDED SEPTEMBER 30, 2021

	AMOUNTS				
	2021	2020	2019	2018	2017
<b>GENERAL FUND:</b>					
<u>Revenues:</u>					
Water Service Revenue	\$ 1,685,244	\$ 1,685,449	\$ 1,670,942	\$ 1,638,434	\$ 1,478,609
Tax Revenue	1,643,299	1,549,329	1,365,753	1,145,244	1,048,418
Interest	11,895	26,443	60,811	33,061	13,841
Service Revenue	682,352	648,081	560,036	523,818	509,809
Other Revenue	24,279	37,995	19,921	29,848	7,042
Total Revenues	<u>4,047,069</u>	<u>3,947,297</u>	<u>3,677,463</u>	<u>3,370,405</u>	<u>3,057,719</u>
<u>Expenditures:</u>					
Water Service Expenditures					
Purchased Water	1,396,843	1,362,680	1,316,013	1,290,842	1,233,540
Payroll Costs	1,198,118	1,165,109	1,107,492	1,052,258	978,721
Supplies and Materials	150,872	167,504	92,679	145,991	131,254
Other Operating Expenditures					
Professional Fees	193,241	148,877	99,194	197,969	168,974
Supplies and Materials	176,237	141,477	180,871	158,301	122,147
Recurring Operating Costs	196,350	186,380	198,745	180,777	190,313
Miscellaneous	10,133	7,633	6,644	5,235	6,149
Capital Outlay	203,844	196,560	263,933	101,934	97,804
Total Expenditures	<u>3,525,638</u>	<u>3,376,220</u>	<u>3,265,571</u>	<u>3,133,307</u>	<u>2,928,902</u>
Excess of Revenues over Expenditures	521,431	571,077	411,892	237,098	128,817
<u>Other Sources (Uses):</u>	<u>0</u>	<u>0</u>	<u>15,238</u>	<u>24,257</u>	<u>0</u>
Excess of Revenues over Expenditures and Other Uses:	<u>\$ 521,431</u>	<u>\$ 571,077</u>	<u>\$ 427,130</u>	<u>\$ 261,355</u>	<u>\$ 128,817</u>
<b>DEBT SERVICE FUND:</b>					
<u>Revenues:</u>					
Tax Revenue	\$ 369,775	\$ 373,145	\$ 379,133	\$ 372,631	\$ 370,875
Interest & Misc.	1,875	3,699	7,060	5,422	3,508
Total Revenues	<u>371,650</u>	<u>376,844</u>	<u>386,193</u>	<u>378,053</u>	<u>374,383</u>
<u>Expenditures:</u>					
Purchased & Contracted Services	18,523	18,109	18,062	18,801	19,226
Debt Service & Related Costs	348,450	348,050	347,550	346,950	346,250
Miscellaneous	0	0	0	0	0
Total Expenditures	<u>366,973</u>	<u>366,159</u>	<u>365,612</u>	<u>365,751</u>	<u>365,476</u>
Excess of Revenues over Expenditures	4,677	10,685	20,581	12,302	8,907
<u>Other Sources (Uses):</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Resources over Expenditures:	<u>\$ 4,677</u>	<u>\$ 10,685</u>	<u>\$ 20,581</u>	<u>\$ 12,302</u>	<u>\$ 8,907</u>
Total Active Retail Water and/or Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

PERCENT OF FUND TOTAL REVENUES

2021	2020	2019	2018	2017
41.6%	42.7%	45.4%	48.6%	48.4%
40.6%	39.3%	37.1%	34.0%	34.3%
0.3%	0.7%	1.7%	1.0%	0.5%
16.9%	16.4%	15.2%	15.5%	16.7%
0.6%	1.0%	0.5%	0.9%	0.2%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
34.5%	34.5%	35.8%	38.3%	40.3%
29.6%	29.5%	30.1%	31.2%	32.0%
3.7%	4.2%	2.5%	4.3%	4.3%
4.8%	3.8%	2.7%	5.9%	5.5%
4.4%	3.6%	4.9%	4.7%	4.0%
4.9%	4.7%	5.4%	5.4%	6.2%
0.3%	0.2%	0.2%	0.2%	0.2%
5.0%	5.0%	7.2%	3.0%	3.2%
<u>87.1%</u>	<u>85.5%</u>	<u>88.8%</u>	<u>93.0%</u>	<u>95.8%</u>
12.9%	14.5%	11.2%	7.0%	4.2%
0.0%	0.0%	0.4%	0.7%	0.0%
<u>12.9%</u>	<u>14.5%</u>	<u>11.6%</u>	<u>7.8%</u>	<u>4.2%</u>
99.5%	99.0%	98.2%	96.5%	96.0%
0.5%	1.0%	1.8%	1.4%	0.9%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>97.9%</u>	<u>97.0%</u>
5.0%	4.8%	4.8%	5.0%	5.1%
93.8%	92.4%	90.0%	89.8%	89.7%
0.0%	0.0%	0.0%	0.0%	0.0%
<u>98.7%</u>	<u>97.2%</u>	<u>94.8%</u>	<u>94.8%</u>	<u>94.8%</u>
1.3%	2.8%	5.2%	3.1%	2.2%
0.0%	0.0%	0.0%	0.0%	0.0%
<u>1.3%</u>	<u>2.8%</u>	<u>5.2%</u>	<u>3.1%</u>	<u>2.2%</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

SOUTH TEXAS WATER AUTHORITY  
INSURANCE COVERAGE  
SEPTEMBER 30, 2021

<u>TYPE OF COVERAGE</u>	<u>TYPE OF CORPORATION</u>	<u>POLICY CLAUSE: CO-INSURANCE</u>	<u>AMOUNT OF COVERAGE</u>	<u>INSURER'S NAME</u>
Worker's Compensation	Governmental Pool	No	Statutory	Texas Municipal League
General Liability	Governmental Pool	No	\$ 5,000,000 10,000,000 Agg.	Texas Municipal League
Automobile Liability	Governmental Pool	No	\$ 2,000,000	Texas Municipal League
Errors & Omissions Liability	Governmental Pool	No	\$ 4,000,000 Aggregate \$ 2,000,000 Per Claim	Texas Municipal League
Property Coverage	Governmental Pool	No	\$ 5,341,970	Texas Municipal League
Portable Equipment	Governmental Pool	No	\$ 72,532	Texas Municipal League
Mobile Equipment	Governmental Pool	No	\$ 337,633	Texas Municipal League
Auto Physical Damage	Governmental Pool	No	Actual Cash Value	Texas Municipal League
Board of Directors Surety Bond	Stock	No	\$ 10,000 ea.	Western Surety Company
Notary E & O	Stock	No	\$ 10,000	Western Surety Company
Employee Dishonesty	Stock	No	\$ 25,000	Western Surety Company
Employee Dishonesty (Pension Plan)	Stock	No	\$ 200,000	Western Surety Company

SOUTH TEXAS WATER AUTHORITY  
 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 SEPTEMBER 30, 2021

SOUTH TEXAS WATER AUTHORITY  
 2302 SAGE ROAD  
 KINGSVILLE, TEXAS 78363  
 (361) 592-9323

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES	EXPENSE REIMBURSEMENTS	TITLE AT YEAR END	RESIDENT OF DISTRICT?
<b>BOARD MEMBERS:</b>					
Filiberto Trevino III 1124 W. Yoakum Kingsville, TX 78363	(Appointed) 04-01-19 / 04-01-21 Resigned 12-7-20	\$ 10.00	-0-	Director	Yes
Rudy Galvan 217 JayVee Kingsville, TX 78363	(Appointed) 04-01-21 / 04-01-23	\$ 210.00	-0-	Director	Yes
Kathleen Lowman 6246 FM 70 Bishop, TX 78343	(Appointed) 04-01-21 / 04-01-23	\$ 230.00	-0-	Director	Yes
Lupita Perez P.O. Box 161 Kingsville, TX 78364	(Appointed) 04-01-20 / 04-01-22 Resigned 2-8-21	\$ 20.00	-0-	Director	Yes
Imelda Garza 238 N. CR 1016 Kingsville, TX 78363	(Appointed) 04-01-21 / 04-01-23	\$ 190.00	-0-	Sec./Treas.	Yes
Patsy Rodgers P.O. Box 221 Agua Dulce, TX 78330	(Appointed) 04-01-20 / 04-01-22	\$ 230.00	-0-	Director	Yes
Frances Garcia 2207 Colorado Kingsville, TX 78363	(Appointed) 02-22-21 / 04-01-22	\$ 190.00	-0-	Director	Yes
Jose M. Graveley 343 W. CR 2170 Kingsville, TX 78363	(Appointed) 04-01-21 / 04-01-23	\$ 240.00	-0-	Vice-President	Yes
Brandon W. Barrera 1809 W. Sage Rd. Kingsville, TX 78363	(Appointed) 04-01-20 / 04-01-22	\$ 230.00	-0-	President	Yes
Joe Morales 311 E. 2nd Street Bishop, TX 78343	(Appointed) 06-01-21 / 04-01-22	\$ 100.00	-0-	Director	Yes
Angela Pena P.O. Box 262 Driscoll, TX 78351	(Appointed) 5-19-21 / 04-01-23	\$ 120.00	-0-	Director	Yes
Hector Castaneda (moved out of Bishop)	(Appointed) 02-01-21 Resigned 06-01-21	\$ 60.00	-0-	Director	Yes

NOTE: NO DIRECTOR HAS ANY DIRECT BUSINESS OR FAMILY RELATIONSHIPS (AS DEFINED BY THE TEXAS WATER CODE) WITH MAJOR LAND-OWNERS IN THE DISTRICT, WITH THE DISTRICT'S DEVELOPER, OR WITH ANY OF THE DISTRICT'S CONSULTANTS.



SOUTH TEXAS WATER AUTHORITY  
 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 SEPTEMBER 30, 2021

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES	EXPENSE REIMBURSEMENTS	TITLE AT YEAR END	RESIDENT OF DISTRICT?
<b>KEY ADMINISTRATIVE PERSONNEL:</b>					
Carola G. Serrato 2302 East Sage Road Kingsville, TX 78363	05-83 (retired 8/2/2021)	-0-	-0-	Exec. Director	Yes
Jo Ella Wagner 2302 East Sage Road Kingsville, TX 78363	08-95	-0-	-0-	Finance Manager	Yes
Frances DeLeon 2302 East Sage Road Kingsville, TX 78363	09-04	-0-	-0-	Business/Risk Manager	Yes
Dony Cantu 2302 East Sage Road Kingsville, TX 78363	09-11	-0-	-0-	O & M Supervisor	Yes
<b>INVESTMENT OFFICERS:</b>					
Carola G. Serrato 2302 East Sage Road Kingsville, TX 78363	05-83 (retired 8/2/2021)	-0-	-0-	Exec. Director	Yes
Jo Ella Wagner 2302 East Sage Road Kingsville, TX 78363	08-95	-0-	-0-	Finance Manager	Yes
<b>CONSULTANTS:</b>					
HDR Engineering, Inc. 4401 West Gate Blvd., Suite 400 Austin, TX 78704	09-79	\$0	-0-	Engineers	No
John Womack & Co., P.C. Certified Public Accountants P. O. Box 1147 Kingsville, TX 78364	03-90	\$8,925	-0-	Independent Auditors	Yes
Noel Valdez McCall, Parkhurst, & Horton 700 N. St. Mary's Street, Ste 1525 San Antonio, TX 78205	09-79	\$0	-0-	Bond Counsel	No
Edward John Marez JMAR Management Consulting, LLC 521 Vacy Street Corpus Christi, TX 78404	07-21	\$16,667	-0-	Administrator	No

SOUTH TEXAS WATER AUTHORITY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2021

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES	EXPENSE REIMBURSEMENTS	TITLE AT YEAR END	RESIDENT OF DISTRICT?
Kleberg County P. O. Box 1457 Kingsville, TX 78364	08-81	\$25,041	-0-	Tax Collector	Yes
Nueces County Nueces Co. Courthouse Suite 301 Corpus Christi, TX 78401	08-81	\$29,809	-0-	Tax Collector	No
Kleberg Co. Appraisal District P. O. Box 1027 Kingsville, TX 78364	08-81	\$22,784	-0-	Appraiser	Yes
Nueces Co. Appraisal District 201 N. Chaparral Suite 206 Corpus Christi, TX 78401	08-81	\$10,503	-0-	Appraiser	No
Robert Viera Ardurra/LNV 801 Navigation, STE 300 Corpus Christi, TX 78408	10-13	\$10,905	-0-	Engineers	No
Bill Flickinger Willatt & Flickinger, PLLC 12912 Hill Country Blvd. Suite F-232 Austin, TX 78738	03-83	\$13,063	-0-	Attorneys	No
Newgen Strategies & Solutions 1300 E. Lookout Drive, STE 100 Richardson, TX 75082	01-02	\$475	-0-	Rate Consultant	No
Hilltop Securities Ann Burger Entekin 211 E. Seventh, Suite 707 Austin, TX 78701	07-84	\$2,500	-0-	Financial Advisors	No
Walker Partners 600 Austin Avenue, STE 20 Waco, TX 76701	01-17	\$0	-0-	Engineers	No
Ray Associates Katherine Ray 1304 Guadalupe Street Austin, TX 78701	02-21	\$24,255	-0-	Executive Resources	No

**STWA**

**SOUTH TEXAS WATER AUTHORITY**

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ATTACHMENT 2

Resolution 22-01

SOUTH TEXAS WATER AUTHORITY

Resolution 22-01

A RESOLUTION ACCEPTING THE FISCAL YEAR 2021 AUDIT PREPARED BY JOHN WOMACK & CO., P.C. OF KINGSVILLE, TEXAS.

WHEREAS, the South Texas Water Authority is a functioning Reclamation and Conservation District established by the Texas Legislature, and

WHEREAS, the South Texas Water Authority is required to submit an annual audit in accordance with the Financing Reporting Requirements as established by the Texas Commission on Environmental Quality, and

WHEREAS, the Authority has received and reviewed the Fiscal Year 2021 Audit.

NOW, THEREFORE, BE IT RESOLVED that the South Texas Water Authority Board of Directors accepts the audit prepared by John Womack & Co., P.C. of Kingsville, Texas, for submission to the Texas Commission on Environmental Quality.

Duly adopted this 25<sup>th</sup> day of January, 2022.

BRANDON W. BARRERA, PRESIDENT

ATTEST:

IMELDA GARZA, SECRETARY/TREASURER

ATTACHMENT 3

Approval of Minutes

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
December 7, 2021  
Minutes

Board Members Present:

Brandon Barrera  
Rudy Galvan, Jr.  
Frances Garcia  
Imelda Garza  
Jose Graveley  
Kathleen Lowman  
Joe Morales  
Angela Pena  
Patsy Rodgers

Board Members Absent:

None

Staff Present:

John Marez  
Frances De Leon  
Jo Ella Wagner  
Nigel Gomez  
Patrick Sendejo

Guests Present:

None

1. Call to Order.

Mr. Brandon Barrera, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:35 p.m. A quorum was present.

2. Citizen Comments.

Mr. Barrera opened the floor to citizen's comments. No comments were made.

3. Approval of Minutes.

Ms. Lowman made a motion to approve the October 26, 2021 Regular Meeting Minutes as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

4. Treasurer's Report/Payment of Bills.

The following reports were presented:

Investment Report for Quarter ended September 30, 2021  
Treasurer's Report for period ending September 30, 2021  
Revenue Fund Income Statement for period ending September 30, 2021  
Tax Fund Income Statement for period ending September 30, 2021  
Special Services Income Statement for period ending September 30, 2021  
STWA Revenue Fund Balance Sheet – September, 2021  
STWA Revenue Fund Trial Balance for September, 2021

STWA Regular Meeting Minutes

December 7, 2021

Page 2

STWA Debt Service Fund Income Statement for period ending September 30, 2021

STWA Debt Service Fund Balance Sheet – September, 2021

STWA Debt Service Fund Trial Balance for September, 2021

STWA Capital Projects Fund Income Statement for period ending September 30, 2021

STWA Capital Projects Fund Balance Sheet – September, 2021

STWA Capital Projects Fund Trial Balance for September, 2021

Cathodic Protection Expenses Breakdown

Anticipated vs. Actual Water Rate Charged and Net Revenue

2012 Bond Election Report

Maintenance & Technical Report from O&M Supervisor

Cathodic Protection Update

The following outstanding invoice was presented for Board approval:

• Force Flow	\$ 3,788.84
• Maria Valadez – KC Tax Assessor	\$ 25,120.50
• City of Corpus Christi	\$ 105,834.38
• Kleberg County Appraisal District	\$ 5,513.20
• Nueces County Appraisal District	\$ 2,712.00
• Odessa Pumps & Equipment	\$ 4,789.93
• Kevin Kieschnick	\$ 28,380.51
• D & C Fence Co., Inc.	\$ 10,000.00

Mr. Galvan made a motion to approve the September 2021 Treasurer's Report, Quarterly Report and payment of the bills as presented. Ms. Garza seconded and all voted in favor.

5. Discussion and action on Business/Risk Manager salary.

Mr. Marez stated that the Board has the option to go to executive session to discuss this agenda item, but the Board chose to remain in open session. Mr. Morales made a motion to approve Option 3 which has a salary that includes a slight increase to account for any possible enhancement of duties/responsibilities and time worked for this position (\$73,000). Ms. Lowman seconded. All voted in favor.

6. Contract for Janitorial Services.

Mr. Marez presented quotes for janitorial services from two companies and the estimated current cost for in-house services. He acknowledged the need to separate the cost of the cleaning services from employees' regular salaries. He noted that Hacienda indicated that the company has a waiting list for their services. Rodriguez Cleaning Service also provided a quote but the cost of supplies would be additional. Ms. Wagner pointed out that cleaning supplies/equipment should be the responsibility of the contractor in a true contract labor scenario and warned that companies can face penalties from IRS for violations. Mr. Morales suggested paying employees \$38.75 per hour which is the average of the rates currently being paid to the two employees performing the cleaning service. Mr. Galvan also suggested rotating the task among the staff and added that he prefers paying employees rather than an outside company. Mr. Marez also pointed



out that security is an issue opening the service up to outside companies. He stated that he and Ms. Wagner would work on an in-house arrangement and agreement for continuing the cleaning services at the rate suggested by Mr. Morales. Mr. Galvani made a motion to continue in-house cleaning services at a rate of \$38.75 per hour as an arrangement separate from regular salaries. Ms. Garza seconded. The motion passed 8 to 1.

7. City of Driscoll request to temporarily reduce monthly payment on Payment Plan and consideration of new payment plan agreement.

Mr. Marez stated that although the Board previously approved the City of Driscoll's request for a modified payment plan, the city continued making the regular payment and asked for another modification to the plan. The city requests to pay \$2,500 from December 2021 until March 2022 and then resume the regular \$5,000 monthly payment in April 2022. This arrangement will add \$1,177 in interest resulting in two additional payments extending the note to May 2023. Ms. Wagner pointed out that the city has remained current on their payments under the current arrangement. Ms. Garza made a motion to approve the new agreement beginning in December 2021. Mr. Galvan seconded. All voted in favor.

8. Kleberg County Appraisal District Board of Directors election and casting of votes.

Mr. Marez presented the ballot for casting votes for the Kleberg County Appraisal District Board of Directors. He said the ballot lists eight candidates to fill five positions. The Authority was allotted 130 votes which can be cast for one candidate or distributed among different candidates.

9. Resolution 21-30. Resolution casting the South Texas Water Authority's votes for election of Kleberg County Appraisal District Board Members.

Ms. Garcia made a motion to approve Resolution 21-30 casting STWA's 130 votes for Brandon Barrera. Ms. Garza seconded. The motion passed on a vote of 8 to 1.

10. Purchase of materials to build up STWA stockpile of materials due to stagnation in PVC production and transportation issues.

Mr. Marez reported that over the last few months, staff has noticed an increased cost and scarcity of materials in the water utility industry including shortages of PVC pipe, fittings, valves and similar materials. The current supplies remain in adequate amounts, but there is a delay of 1 ½ to 8 months in delivery of materials. He requested that the Board consider authorizing staff to look into purchasing materials to serve as a stockpile to ensure the availability of materials for repairs and other projects. He added that a Houston manufacturer is available to provide material more quickly than other suppliers but at a steep price. Mr. Graveley made a motion and Mr. Galvan seconded to keep a stockpile of materials on hand at all times. All voted in favor.

11. Resignation of O&M Supervisor.

Mr. Marez reported that O&M Supervisor Dony Cantu resigned effective immediately on November 29, 2021. Mr. Cantu initially agreed to working until December 8<sup>th</sup> but instead resigned on November 29<sup>th</sup>. Field Foreman Nigel Gomez has been designated as interim O&M

Supervisor and is serving in both positions until a permanent replacement is hired. Mr. Marez requested authorization to conduct a search for an internal candidate per STWA policy. Mr. Galvan asked about step-up pay for Mr. Gomez but the Board took no action on a pay adjustment. Mr. Graveley made a motion to proceed with posting the position internally and beginning the process for hiring an O&M Supervisor. Mr. Galvan seconded. All voted in favor. Mr. Marez stated that he and Ms. Wagner would review the applicants and contact the committee members on how to proceed.

12. Request to close office for staff Christmas luncheon.

Mr. Marez requested Board authorization to close the office for the staff Christmas luncheon on December 22, 2021. Mr. Graveley made a motion to close the office and forward calls to the answering service for a few hours as requested. Ms. Garcia seconded. All voted in favor.

13. TCAP Board of Directors Ballot.

The Board reviewed the Texas Coalition for Affordable Power (TCAP) Ballot for the election of board of directors on January 7, 2022. Mr. Galvan made a motion seconded by Mr. Morales to cast votes for Courtney Alvarez, William Linn and Miles Risley. All voted in favor.

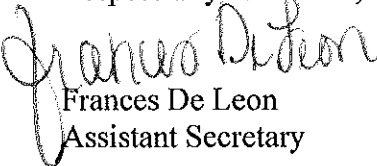
14. Administration Report.

Mr. Marez stated that his contract ends in January and will be included on the January 2022 agenda. In addition, he will present a resolution requesting federal grant fund assistance and stated that such aid is project specific and details will be outlined in the resolution.

15. Adjournment.

With no further business to discuss, Mr. Galvan moved to adjourn the meeting at 6:49 p.m. Ms. Garza seconded. The motion carried.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
January 4, 2022  
Minutes

Board Members Present:

Brandon Barrera  
Rudy Galvan, Jr.  
Frances Garcia  
Imelda Garza  
Jose Graveley  
Kathleen Lowman  
Joe Morales  
Angela Pena  
Patsy Rodgers

Board Members Absent:

None

Staff Present:

John Marez  
Frances De Leon  
Jo Ella Wagner  
Nigel Gomez

Guests Present:

None

1. Call to Order.

Mr. Brandon Barrera, Board President, called the Special Meeting of the STWA Board of Directors to order at 5:00 p.m. A quorum was present.

2. Citizen Comments.

Mr. Barrera opened the floor to citizen's comments. No comments were made.

3. Management Selection Standing Committee's Recommendations on the O&M Supervisor Vacancy.

Mr. Marez reported that the Management Selection Standing Committee met and interviewed internal candidates Nigel Gomez, Victor Gutierrez and Patrick Sendejo. He stated that all three were strong candidates and met the qualifications. The committee recommended Nigel Gomez for the O&M Supervisor position and Patrick Sendejo for the Field Foreman position which is currently held by Mr. Gomez. Mr. Graveley made a motion to accept the committee's recommendation. Ms. Garza seconded and the motion passed unanimously.

4. Authorization of the Administrator or Management Selection Standing Committee to offer the selected candidate the O&M Supervisor position and compensation package.

Mr. Marez distributed and reviewed salary comparisons for the O&M Supervisor and Field Foreman positions. He explained that Mr. Gomez currently earns \$21.50 per hour and the committee's recommended offer is \$26.50. He asked that the Board consider a salary adjustment for the work he has done as of the prior supervisor's departure. Mr. Graveley stated that Mr.

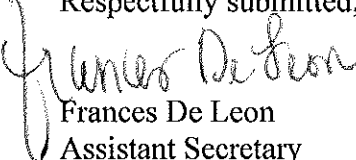
Gomez should be compensated for this work and suggested authorizing \$26.50 per hour. Mr. Graveley made a motion to compensate Mr. Gomez for the hours worked on an interim basis at a rate of \$26.50 per hour. Ms. Garza seconded and all voted in favor. The Board then discussed the O&M Supervisor's regular salary. Mr. Morales made a motion to set the O&M Supervisor pay at \$30.00 per hour. The motion died for lack of a second. Mr. Galvan made a motion to set the rate at \$27.00, Ms. Lowman seconded and all voted in favor.

Mr. Marez reviewed Mr. Sendejo's salary history. He stated that as a Cathodic Protection Technician, Mr. Sendejo currently earns \$20.89 and the committee recommended a rate of \$23.00 for the Field Foreman position. Mr. Sendejo has requested that the Board consider \$25.00 per hour. Mr. Graveley suggested setting the rate in the middle at \$24.00 per hour but Mr. Galvan stated that he preferred \$25.00 per hour. Mr. Graveley made a motion to set the Field Foreman hourly pay rate at \$25.00, Mr. Galvan seconded and the motion passed by unanimous vote.

5. Adjournment.

With no further business to discuss, Mr. Galvan moved to adjourn the meeting at 5:18 p.m. Ms. Garza seconded. The motion carried.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary

ATTACHMENT 4

Treasurer's Report/Payment of Bills/Field Reports

The Treasurer's Report will be provided next week.

## Memorandum

To: South Texas Water Authority Board of Directors and John Marez, Administrator  
From: Nigel Gomez, O&M Supervisor  
Date: January 21, 2022  
Re: O&M Activities

During the Week of December 6th:

- Exercised generators, reviewed GPS records and performed line locates.
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42" line, CR 16 and Kingsville Meter Run.
- Held weekly safety meeting.
- Collected Bac-T & TTHM Samples
- Weekly equipment test @ office.
- Read Meters- RWSC & Remote Readings- NWSC
- Drop off Unit #7 to Hacienda Ford
- Inventory list for materials
- Completed service orders for NWSC and RWSC:
  - Check CR 38, east of Jalin leak repair-NWSC
  - Dress up CR 1030 Transmission Line Repair-RWSC
  - Take reading for Donny McNair Acct #1108- NWSC
  - Repair leak on Skyking Flush valve
  - Repair leak on Hwy 44 Plains- Main line repair
  - 2<sup>nd</sup> CSI – Victoria Gonzalez Acct# 1302
  - Meter removal for Estate of T.L. Schubert Acct# 134

During the Week of December 13th:

- Exercised generators, reviewed GPS records and performed line locates.
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42" line, CR 16 and Kingsville Meter Run.
- Held weekly safety meeting.
- Weekly equipment test @ office.
- Drop off haul trailer to repair brakes @ Bishop Farm Equipment
- Locates – STWA, RWSC, NWSC
- Flushing – NWSC & RWSC
- Drone Presentation @ Pump Station #2
- Completed service orders for NWSC and RWSC:
  - Verify pipe disconnect for Daniel McCann Acct #138
  - 3<sup>rd</sup> CSI – Victoria Gonzalez Acct#1302
  - Check meter working properly – Mark Runnels Acct #536
  - 2<sup>nd</sup> CSI – Estate of Leandro Villarreal Acct #891
  - Field verify – Jacob Garza 242 E CR 2180
  - Check for possible multiple tap for Elias Barrientos Acct #1035

## O&M Supervisor Report

01/21/22

Page 2 of 2

- Check repair made on customer side for curb stop – David Trant Acct #610
- Check meter still locked – Ralph Ambrose Acct #1274
- Dressup CR 2180 West of CR 1020 & CR 1016
- Reservice for Erica Fobes Acct #203
- Check for leak - Manuel Canales Acct #38 – meter change out
- CSI – Rudy Dominguez Acct #1279
- Leak Repair @ meter – Juan Perez Acct #457
- CSI – Elias Barrientos Acct #1287
- Lock out & Unlock meter – Jose Arce Acct #409

### During the Week of December 20th:

- Exercised generators, reviewed GPS records and performed line locates.
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42” line, CR 16 and Kingsville Meter Run.
- Held weekly safety meeting.
- Weekly equipment test @ office.
- Flushing – NWSC & RWSC
- Lockouts
- Mow grass @ Office
- Replace lights at Pump Stations
- Deliver LAS to Pump Stations
- Completed service orders for NWSC and RWSC:
  - Check if meter spinning – Reina Pegg Acct #431
  - Meter removal – Juan Ruiz Acct #528 & T.J. Collins Acct #1270
  - Check for multiple tap – Englantina Martinez Acct #223
  - Unlock – Robert/Ana Garcia Acct #595- RWSC
  - Field verify for Englantina Martinez Acct# 223
  - CSI – Priscilla Austin Acct #1229- RWSC
  - Check for possible multiple tap – Bobby Castaneda Acct #30
  - Tap – Lee Vela Acct #1282
  - Triple T Farms Extension
  - Unlock – Maria Fernandez Acct #1072
  - Repair leak on Hwy 77 – Between CR 4 & CR 6
  - Replace Banquete Rural meter
  - Repair Flush valve – CR 83 – Nueces Auditors

### During the Week of December 27th:

- Exercised generators, reviewed GPS records and performed line locates.
- Collected/monitored NAP samples.
- Took residuals (Total, Mono, FAA, Free) for the Driscoll Booster Station on the 42” line, CR 16 and Kingsville Meter Run.
- Held weekly safety meeting.
- Weekly equipment test @ office.
- Organize NWSC Warehouse

O&M Supervisor Report

01/21/22

Page 3 of 2

- O&M Supervisor Interviews
- Check Insulations @ Pump Stations
- Chlorine count w/ dates
- Completed service orders for NWSC and RWSC:
  - Meter removal – Barbara McQueen Acct #31
  - Field Verify – Joe Gutierrez 5636 FM 1833
  - Check for possible leak on CR 2160 – transmission line
  - Unlock – Garcia Family Acct #944
  - Remeasure – Ralph Ambrose CR 2180
  - Field Verify – Eddie Farias CR 18- NWSC
  - Meter Removal – Omar Gonzalez property owner – RWSC
  - Take Final reading – Paula Stevens Acct #1216
  - Take reading – Sandy Seward Acct #157
  - Check multiple tap correction – Aurelio Guerrero Acct #136



To: John Marez,

From: Oscar Ortegon, CP Technician

Date: January 14, 2022

Re: CP Update

From the end of December to the beginning of January, CP installed 560 anodes on 384 joints on the 42" water line as compared to December's report with 540 anodes on 368 joints. We have replaced 44 old test stations since then. In December, the footage was 43,603 LF. We have completed 45,259 feet out of 51,511 feet in Contract 2. Due to the frequent rain weather in the area CP left off at on Contract 2, we will need to hold off until area is dry enough for us to continue our efforts to complete contract 2. CP has had to relocate starting on Contract 3 in Calallen south of Hummingbird Lane. In which we have installed 24 anodes on 21 joints on the 42" water line. No test stations have been replaced. We have completed 1088 feet out of 46,324 feet in Contract 3. Work continues on getting permits for TX DOT on CR 36 to perform anode installation. In addition to this work, we are still assisting all 3 entities. As of today, I have estimated 3 years until contract is completed based on information gathered by calculating a total of 162 joints that need anodes installed and 6 test stations to be redone to complete Contract 2. 570 joints that need anodes installed and 18 test stations to be redone for Contract 3 to be completed. Once Contracts are complete need survey from Corrpro to determine continuity throughout Waterline. As of January 12<sup>th</sup>, 2022 Patrick is working as Field Foreman and a cp replacement is being considered.

We continue to work on CP related work and helping the other field personnel as follows:

- Continue to perform maintenance and test rectifiers/test stations.
- Continue to maintain grass with herbicide around vaults, manholes, test stations and rectifiers along 42" line.
- Continue to assist O&M with ongoing operations.
- Exercised valves on 42" water main @ FM 2826, Driscoll, and Bishop.
- Performed locates for the 42" water main.
- Performed locates for Nueces WSC and Ricardo WSC.
- Performed flushing for Nueces WSC and Ricardo WSC.
- Performed NAP samples for Nueces WSC, Ricardo WSC and STWA.
- Performed CSI's/multiple tap inspections/cross connections/low usage/water taps/leaks/service orders for Ricardo WSC/Nueces WSC.
- Change-out Chlorine bottles for NWSC/RWSC
- Work on extensions.
- Repair Install pumps at PS#3 in Ricardo and Bishop East
- Replace meter @ Banquete Rural MR