# Nueces County Water Control and Improvement District No. 3

**Annual Financial Report**
**For the Year Ended January 31, 2025**

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

**Authorized Contact:**
**Ernest R. Garza, C.P.A.**
**361-241-2452 Office**
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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JANUARY 31, 2025

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**FINANCIAL SECTION**

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS )

COUNTY OF NUECES )

I, ___ Ram Alejandro ______________________________ of the (Name of Duly Authorized District Representative) Nueces County Water Control and Improvement District No. 3 hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 15th day of July, 2025 its annual audit report for the fiscal year ended January 31, 2025 and that copies of the annual audit report have been filed in the district office located at 501 East Main Street, Robstown, Texas 78380.

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

Date: July 15, 2025

By: ______________________________
(Signature of District Representative)

Ram Alejandro, President
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 15th day of July 2025.

______________________________
(Signature of Notary)

ERNEST R. GARZA
My Notary ID # 6772922
Expires December 7, 2028

(Seal)

Notary Public in and for the State of Texas

Commission Expires on: __12/7/2028__________

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FINANCIAL SECTION

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**AND COMPANY, P.C.**
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# INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of the business type activities of the Nueces County Water Control and Improvement District No. 3, as of and for the years ended January 31, 2025, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 the Nueces County Water Control and Improvement District No. 3, Robstown, Texas as of January 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis of Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nueces County Water Control and Improvement District No. 3, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nueces County Water Control and Improvement District No. 3 ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nueces County Water Control and Improvement District No. 3 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nueces County Water Control and Improvement District No. 3 ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**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 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nueces County Water Control and Improvement District No. 3 basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Ernest R. Garza & Company, P.C.*
*Corpus Christi, Texas*
*July 11, 2025*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Nueces County Water Control and Improvement District No. 3 (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended January 31, 2025.

### Overview of the Financial Statements

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

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

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

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

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

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

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

In this section of the Annual Financial and Compliance Report, we, the managers of Nueces County Water Control and Improvement District No. 3, discuss and analyze the District's financial performance for the fiscal year ended January 31, 2025. Please read it in conjunction with the independent auditors' report on pages 7 thru 9, and the District's Basic Financial Statements which begin on page 16.

## Financial Highlights

- Total assets and deferred outflows of resources for fiscal year ending January 31, 2025 were $19,746,924.
- Total liabilities and deferred inflows of resources for fiscal year ending January 31, 2025 were $6,648,307.
- The net position of the District decreased by .0007% or $9,976 from fiscal year ending January 31, 2025, this was mainly from operations and pension liability adjustments.
- The District's charges for services overall were steady and slightly decreased by 2.37% to $5,703,021 from fiscal year ending January 31, 2025, this was mainly from a result of a decrease of the pension liability and other revenue was recognized to adjust the reduction in pension liability.
- The District's expenses increased by 7.55% to $5,912,921 from fiscal year ending January 31, 2025 excluding non-operating expenses.

## Financial Analysis of the Water District as a Whole

The District's net position at the end of the fiscal year was $13,098,617. This is a $9,976 decrease over last year's net position. The following table provides a summary of the District's net position as of January 31, 2025.

**Nueces County Water Control and Improvement District No. 3**
**The District's Net Position**

| | 1/31/2025 | 1/31/2024 | Variance Increase/ Decrease | Percent Change |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current and Other Assets | 5,743,821 | 6,623,812 | (879,991) | -13.29% |
| Capital and Non-current Assets | 13,883,256 | 13,693,849 | 189,407 | 1.38% |
| Total Assets | 19,627,077 | 20,317,661 | (690,584) | -3.40% |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred Outflow Related to TRS | 119,847 | 179,475 | (59,628) | -33.22% |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 119,847 | 179,475 | (59,628) | -33.22% |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS** | 19,746,924 | 20,497,136 | (750,212) | -3.66% |
| **LIABILITIES** | | | | |
| Current Liabilities | 1,764,687 | 1,707,960 | 56,727 | 3.32% |
| Long-term Liabilities | 4,726,701 | 5,614,828 | (888,127) | -15.82% |
| Total Liabilities | 6,491,388 | 7,322,788 | (831,400) | -11.35% |
| **DEFERRED INFLOW OF RESOURCES** | | | | |
| Deferred Inflow Related to TRS | 156,919 | 65,755 | 91,164 | 138.64% |
| Total Deferred Inflows of Resources | 156,919 | 65,755 | 91,164 | 138.64% |
| **NET POSITION** | | | | |
| Invested in Capital Assets | 8,268,426 | 7,129,457 | 1,138,969 | 15.98% |
| Restricted | 1,660,944 | 2,996,377 | (1,335,433) | -44.57% |
| Unrestricted | 3,169,247 | 2,982,759 | 186,488 | 6.25% |
| Total Net Position | 13,098,617 | 13,108,593 | (9,976) | -0.08% |

At the end of fiscal year ending January 31, 2025, the District had gross fixed assets totaling $28,322,478, after accumulated depreciation of $14,794,074, results in a net of $13,831,641 for a 1.40% increase. These assets include such things as land, water treatment facilities, raw water facilities, etc. These assets are required to provide services to the District customers and therefore are not available for liquidation or for future spending. A decrease of .08% in the District's net position indicates that the District has maintained its financial position during fiscal year end January 31, 2025.

**Nueces County Water Control and Improvement District No. 3**
**Summary of Changes in Net Position**

| | 1/31/2025 | 1/31/2024 | Variance Increase/ Decrease | Percent Change |
|---|---|---|---|---|
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | $ 5,703,021 | $ 5,841,432 | $ (138,411) | -2.37% |
| Expenses: | | | | |
| Operating Expenses | 5,912,921 | 5,497,888 | 415,033 | 7.55% |
| Operating Revenue over Expenses | (209,900) | 343,544 | (553,444) | -161.10% |
| Non-operating Revenue | | | | |
| Investment Income | 304,635 | 271,459 | 33,176 | 12.22% |
| Interest Expense | (104,711) | (129,066) | 24,355 | -18.87% |
| Total Non-operating Revenue | 199,924 | 142,393 | 57,531 | 40.40% |
| Change in Net Position | (9,976) | 485,937 | (495,913) | -102.05% |
| Net position at beginning of year | 13,108,593 | 12,622,656 | 485,937 | 3.85% |
| Net position at end of year | $ 13,098,617 | $ 13,108,593 | $ (9,976) | -0.08% |

Total charges for services for the District decreased by 2.37% or $138,411. Total expenses increased by 7.55% or $415,033 from fiscal year ending January 31, 2025. The revenue stayed stable with consistent water sales noted in fiscal year ending January 31, 2025 as compared to fiscal year ending January 31, 2024.

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

The District's net capital assets as of January 31, 2025 were $13,831,641 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, water treatment and transmission facilities, buildings, other equipment and water rights. The total increase in the District's capital assets for the current year was 1.40%.

The District had additions in capital assets in the amount of $1,156,309, capital asset deletions in the amount of $0 and a net increase in accumulated depreciation in the amount of $964,857. This results in a net increase in capital assets from January 31, 2025 in the amount of $191,452.

**Nueces County Water Control and Improvement District No. 3**
**Capital Assets Net of Accumulated Depreciation**

| | 1/31/2025 | 1/31/2024 | Variance Increase/ Decrease | Percent Change |
|---|---|---|---|---|
| Capital Assets Net of Accumulated Depreciation | | | | |
| Canal System | $ 2,122,530 | $ 2,127,454 | $ (4,924) | -0.23% |
| Drainage System | 13,436 | 13,436 | (0) | 0.00% |
| Land/Reservoir Plant | 56,505 | 56,505 | - | 0.00% |
| Land Water Towers | 246,732 | 246,732 | - | 0.00% |
| City Water System | 4,333,657 | 3,943,168 | 390,489 | 9.90% |
| Filter Plant | 6,150,975 | 6,468,007 | (317,032) | -4.90% |
| Water Towers | 133,117 | 147,147 | (14,030) | -9.53% |
| River Plant | 29,252 | 44,518 | (15,266) | -34.29% |
| Vehicles | 126,093 | 61,655 | 64,438 | 104.51% |
| Equipment | 260,465 | 232,903 | 27,562 | 11.83% |
| Office Furniture/Fixtures | 20,562 | 17,302 | 3,260 | 18.84% |
| Warehouse | 11,645 | 11,645 | - | 0.00% |
| Office Building | 326,672 | 271,762 | 54,910 | 20.21% |
| Construction in Progress | - | - | - | 0.00% |
| Totals | $ 13,831,641 | $ 13,642,234 | 189,407 | 1.39% |

## Long-Term Debt

During fiscal year January 31, 2025, the District issued Series 2023 to its debt obligations. At the end of the fiscal year, the District had total outstanding debt of $5,614,829. Outstanding long term debt included a Refunding Bond of $680,000, Series 2023 - $3,865,000 and a note with CoBank in the amount of $1,069,828, the current liability with CoBank was at the end of fiscal year January 31, 2025 consisted of $208,128. A summary of the Districts' debt is summarized in the following chart.

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

| | 1/31/2025 | 1/31/2024 | Variance Increase/ Decrease | Percent Change |
|---|---|---|---|---|
| Series 2006 Refunding Bond | $ 680,000 | $ 1,335,000 | $ (655,000) | -49.06% |
| Series 2023 | $ 3,865,000 | $ 3,960,000 | $ (95,000) | -2.40% |
| CoBank Note | 1,069,829 | 1,269,391 | (199,562) | -15.72% |
| Totals | $ 5,614,829 | $ 6,564,391 | (949,562) | -14.47% |

## Capital Asset Management

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

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

The annual budget outlines the District's plans to continue to provide high quality, cost-effective service to its customers. Moving into the fiscal year ending January 31, 2025 and upcoming 2026, the District foresees a small increase in its customer base which may lead to an increase in revenue. The District remains committed to looking for ways to improve its daily production and maintenance practices in order to remain as efficient as possible. With the implementation of the raw water surcharge the District has enacted, some of the debt service costs have been absorbed. The District will evaluate these practices on a continuing basis to see if future rate changes will be necessary.

The fiscal year ending January 31, 2025 and upcoming 2026 will include the continuation of projects that should improve the services provided. These projects include the continuation of installing new radio read meters and the start of installing new membrane modules for the treatment plant. The District strives to provide quality water and customer service to all customers, both large and small, and intends to continue to grow into something everyone can be proud of.

**Contacting the District's Financial Management**

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

As management of Nueces County Water Control and Improvement District No. 3 we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ending January 31, 2025. The information presented here should be considered in conjunction with the District's financial statements.

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

# FINANCIAL STATEMENTS

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**
STATEMENT OF NET POSITION
JANUARY 31, 2025



| | 2025 |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | 650,503 |
| Investments | 2,152,024 |
| Receivables | |
| Water sales, net | 395,425 |
| Accrued interest and other receivables | 144,634 |
| Pension Asset | 299,018 |
| Prepaid Items | 441,273 |
| Restricted cash and cash equivalents | 1,660,944 |
| Total Current Assets | 5,743,821 |
| Non-current assets | |
| Land | 303,237 |
| Property, plant and equipment, at cost, net of accumulated depreciation | 13,528,404 |
| Other assets | 51,614 |
| Total non-current assets | 13,883,255 |
| Total assets | 19,627,077 |
| Deferred outflows of resources | |
| Deferred outflows of resources | 119,847 |
| Total deferred outflows of resources | 119,847 |
| Total assets and deferred outflows of resources | 19,746,924 |

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**
STATEMENT OF NET POSITION
JANUARY 31, 2025



| | 2025 |
|---|---|
| LIABILITIES | |
| Current Liabilities | |
| Customers' service deposits | 632,091 |
| Accrued expenses and accounts payable | 244,468 |
| Current portion of long-term debt | 888,128 |
| Total Current Liabilities | 1,764,687 |
| | |
| Noncurrent liabilities | |
| Long-term, net of current portion | 4,726,701 |
| Net Pension Liability | - |
| Total noncurrent liabilities | 4,726,701 |
| Total Liabilities | 6,491,388 |
| | |
| Deferred inflows of resources | |
| Deferred amounts related to pensions | 156,919 |
| Total deferred inflows of resources | 156,919 |
| | |
| Total liabilities and deferred inflows of resources | 6,648,307 |
| | |
| NET POSITION | |
| Invested in Capital Assets | 8,268,426 |
| Restricted for: | |
| Revenue Bond Retirement | 1,660,944 |
| Unrestricted | 3,169,246 |
| Net Position | 13,098,617 |
| | |
| Total liabilities, deferred inflows of resources and net position | 19,746,924 |

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3** **Exhibit G-2**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED JANUARY 31, 2025

| | 2025 |
|---|---|
| OPERATING REVENUES | |
| Water Sales | 4,831,450 |
| Raw water surcharge | 264,340 |
| Service charges | 170,695 |
| Raw water metered | 117,032 |
| Service connection fee | 20,000 |
| Other untreated water sales | 380 |
| Tapping fees | 25,400 |
| Other income | 273,724 |
| Total Operating Revenues | 5,703,021 |
| OPERATING EXPENSES | |
| Water system operations | 3,072,675 |
| General operations | 908,966 |
| Office operations | 825,987 |
| River plant operations | 55,495 |
| Equipment and relift operations | 64,719 |
| Canal operations | 1,033 |
| Raws | 504 |
| Depreciation/amortization | 983,542 |
| Total Operating Expenses | 5,912,921 |
| Net Operating Income | (209,900) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest earned on investments | 304,635 |
| Interest expense | (104,711) |
| Gain on sale of assets | 0 |
| Net Non-Operating Revenues (Expenses) | 199,924 |
| Change in Net Position | (9,976) |
| Prior Period Adjustment | 0 |
| NET POSITION BEGINNING OF YEAR | 13,108,593 |
| NET POSITION END OF YEAR | 13,098,617 |

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3** **Exhibit I-3**
STATEMENT OF CASH FLOWS
YEAR ENDED JANUARY 31, 2025

| | 2025 |
|---|---|
| Cash flow from operating activities: | |
| Cash received from customers | 5,525,391 |
| Cash payments to suppliers for goods and services | (2,827,859) |
| Cash payments to employees for services | (1,753,705) |
| Net cash provided by operating activities | 943,827 |
| Investing activities | |
| Proceeds from sale of assets | (141,847) |
| Interest received | - |
| Purchases of depreciable assets | (1,172,949) |
| Net Cash used in investing activities | (1,314,795) |
| | |
| Capital and related financing | |
| Principal payments on long-term debt | (888,128) |
| Net cash used in financing activities | (888,128) |
| | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,259,096) |
| | |
| Cash and Cash Equivalents at Beginning of Year | 3,570,542 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,311,446 |
| | |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Change in net position | (9,976) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Gain on sale of capital assets | 0 |
| Depreciation/Amortization | 983,542 |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable (Net) | (252) |
| (Increase) Decrease in Prepaid Items | (17,167) |
| (Increase) Decrease in net pension asset | (219,839) |
| (Increase) Decrease in deferred outflows | 59,628 |
| (Increase) Decrease in customer deposits | 15,163 |
| Increase (Decrease) in Accounts Payable | 102,999 |
| Increase (Decrease) in Deferred inflows | 91,164 |
| Increase (Decrease) in Current liabilities | (61,435) |
| Net Cash Provided by Operating Activities | 943,827 |
| | |
| Supplemental information | |
| Cash paid during the year for interest | 104,711 |

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

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NOTES TO FINANCIAL STATEMENTS

## NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

### *Nature of Operations*

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

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

Approximately 4,344 customers are served by the District.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Accounting*

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

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

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

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

***Capital Assets***

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

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

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

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

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

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

***Budgetary Controls***

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

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

### *Net Position*

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

### *Compensated Absences*

All full-time employees are entitled to certain compensated absences based on their length of employment. Compensated absences for vacation, sick leave, and personal time off are combined into one paid-time off bank. Compensated absences have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement. An employee may sell up to 40 hours of banked time to the District at the end of the year and/or may carryover a maximum of 40 hours to the following year. The amount of paid-time off that can be banked is capped at a maximum of 30 days, or 240 hours. Any unused paid time off above the capped 240 hours expires by December 31st of each year. An estimated liability for this amount is reflected in the financial statements in the amount of $93,060 as of January 31, 2025.

### *Pensions*

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

### *Use of Estimates*

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

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

***Contributed Systems***

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

## NOTE 3: CASH AND CASH EQUIVALENTS

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

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Funds on deposit with each bank were insured by FDIC up to $250,000. Funds on deposit with the District's primary banks were also collateralized with securities held by the various entities or by its agent in the entity's name. There were no funds held in other banks in excess of FDIC insurance that were uncollateralized with securities as of January 31, 2025.

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

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

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

In accordance with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants,* if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

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

*Public Funds Investment Pools*

As of January 31, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Districts' access to 100 percent of their account value in either external investment pool.

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

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

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

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

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of January 31, 2023, the government investment pool in TexPool and TexSTAR are carried at amortized cost, which generally approximates the market value of securities, to value the whole portfolio in accordance to GASB 79 – *Certain External Investment Pools and Pool Participants.*

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

As of January 31, 2025, the District held $4,200,479 in TexPool, an investment service offered to local governments by the State Treasury government investment pool. The primary objective to TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments that have the full faith and credit of the U.S. Government. Of the funds on deposit with TexPool, the Reserve Fund (January 31, 2025 balance of $699,773) is restricted according to the requirements of the Series 2006 Refunding Notes. As of January 31, 2025, the District also held $846,196 in TexSTAR, an investment service created by local governments for local governments. TexSTAR is a local government investment pool that provides security, liquidity and efficiency for the Management to public funds. The funds on deposit with TexSTAR are restricted in accordance with the requirements of the CoBank note.

*Credit Risk*

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

| Description | Minimum Legal Rating | | Amount | Rating | Percentage |
|---|---|---|---|---|---|
| TexPool | AAAm | $ | 2,880,512 | AAAm | 77.29% |
| TexSTAR | AAAm | $ | 846,196 | AAAm | 22.71% |
| - | | $ | 3,726,708 | | 100% |

**NOTE 4: INVESTMENTS**

The District also has an investment with CoBank, a cooperative which offers a broad range of competitively priced, flexible loan programs, leasing services and other financial services. This investment is a result of a loan taken out with CoBank, which allocates to the District their portion of equity dividends based on CoBank's profit each year. The aggregate carrying amount of the CoBank investment is $51,609 at January 31, 2025. This investment has not been evaluated for impairment because CoBank did not identify any events or changes in circumstances that might have an adverse effect on fair value.

## NOTE 5: CAPITAL ASSETS

The following is a summary of capital asset activity for the year ending January 31, 2025:

| | January 31, 2024 | Additions | Retirements | January 31 2025 |
|---|---|---|---|---|
| Non depreciable assets | | | | |
| Land | $ 303,237 | $ - | $ - | $ 303,237 |
| Construction in Progress | - | - | - | - |
| Total nNon depreciable assets | 303,237 | - | - | 303,237 |
| Depreciable assets | | | | |
| Canal & drainage system | 2,548,964 | - | - | 2,548,964 |
| Water system | 22,335,520 | 1,115,644 | - | 23,451,164 |
| Automobiles & trucks | 598,210 | 32,768 | - | 630,978 |
| Equipment | 925,995 | - | - | 925,995 |
| Furniture & fixtures | 180,791 | 7,897 | - | 188,688 |
| Office building | 576,689 | - | - | 576,689 |
| Total depreciable assets | 27,166,169 | 1,156,309 | - | 28,322,478 |
| Less accumulated depreciation | (13,829,217) | (964,857) | - | (14,794,074) |
| Total net depreciable assets | 13,336,952 | 191,452 | - | 13,528,404 |
| Capital assets, net | $ 13,640,189 | $ 191,452 | $ - | $ 13,831,641 |
| Adjustments made to beginning balances | | | | |

## NOTE 6: LONG-TERM DEBT

Long-term debt outstanding as of January 31, 2025 is as follows:

| *As of January 31, 2025* | $ |
|---|---|
| Series 2006 refunding notes | 680,000 |
| Series 2023 Note | 3,865,000 |
| CoBank note | 1,069,828 |
| Total | 5,614,828 |
| Less prepaid insurance costs | (33,117) |
| Less current portion of long-term debt | (988,128) |
| Total long-term debt, net of current portion | 4,593,583 |

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

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

Interest payments are due semi-annually of each year at an interest rate of 4.2%.

The 2006 Refunding Bond has a cost of insurance prepaid in the amount of $75,457, which is reported as a direct deduction from the carrying amount of the debt and is included in "notes payable – noncurrent portion" in the accompanying statement of net assets. The amount is being amortized through operations over the term of the Refunding Notes (21 years) and reported net of accumulated amortization. The balance of the debt issuance costs, net of accumulated amortization, as of January 31, 2025 was $8,676.

According to the terms of the Series 2006 Refunding Notes, the District is required to establish a Reserve Fund for the purpose of maintaining a reserve equal to the Average Annual Debt Service Requirements on the Notes. The TexPool Reserve Fund is maintained to satisfy this condition and had a balance of $699,773 as of January 31, 2025.

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

| Year Ending January 31 | Principal Due | Interest Due | Reserve Fund Due | Total Funds Required |
|---|---|---|---|---|
| 2026 | 680,000 | 14,280 | - | 694,280 |
| 2027 | - | - | - | - |
| 2028 | - | - | - | - |
| 2029 | - | - | - | - |
| 2030 | - | - | - | - |
| Thereafter | - | - | - | - |
| Totals | $ 680,000 | $ 14,280 | $ - | $ 694,280 |

During 2014, the District secured a loan from CoBank in the amount of $2,772,500. Proceeds from this note are being used to finance expenses related to the improvement of the raw water system. During the construction phase, interest associated with this note was expensed as incurred. This note carries a fixed interest rate of 4.082% and matures October 20, 2029. The terms of the CoBank note require the District to maintain a debt service reserve account in the amount of $250,000. The funds held with TexSTAR are maintained to satisfy this condition and had a balance of $846,196 as of January 31, 2025.

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

| Year Ending January 31 | Principal Due | Interest Due | Reserve Fund Due | Total Funds Required |
|---|---|---|---|---|
| 2026 | 208,128 | 39,691 | - | 247,819 |
| 2027 | 216,907 | 31,049 | - | 247,956 |
| 2028 | 226,056 | 22,048 | | 248,104 |
| 2029 | 235,544 | 12,673 | | 248,217 |
| 2030 | 183,193 | 3,118 | - | 186,311 |
| Thereafter | - | - | - | - |
| Totals | $ 1,069,828 | $ 108,579 | $ - | $ 1,178,407 |

**NOTE 6: LONG-TERM DEBT (continued)**

During the year the District issued the Series 2023 Note with a 4-5% interest rate and due 2/1/2048. The funding requirements for the Series 2023 note are summarized in the table below:

| Year Ending January 31 | Principal Due | Interest Due | Reserve Fund Due | Total Funds Required |
|---|---|---|---|---|
| 2026 | 100,000 | 160,200 | - | 260,200 |
| 2027 | 105,000 | 155,075 | | 260,075 |
| 2028 | 110,000 | 149,700 | | 259,700 |
| 2029 | 115,000 | 144,075 | | 259,075 |
| 2030 | 120,000 | 138,200 | | 258,200 |
| 2031-2035 | 695,000 | 598,550 | | 1,293,550 |
| 2036-2040 | 850,000 | 444,800 | | 1,294,800 |
| 2041-2045 | 1,035,000 | 253,900 | | 1,288,900 |
| 2046-2049 | 735,000 | 44,900 | | 779,900 |
| Totals | $ 3,865,000 | $ 2,089,400 | $ - | $ 5,954,400 |

Discount and insurance premium of $299,183 is being amortized over the life of the loan. Net after amortization was $287,215.

**NOTE 7: EMPLOYEE RETIREMENT PLAN**

*Plan Description*

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

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

*Employees Covered by Benefit Terms*

At the January 31, 2024 and 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | 2023 | 2024 |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 13 | 13 |
| Inactive employees entitled to but not yet receiving benefits | 9 | 10 |
| Active employees | 30 | 29 |
| Total | 52 | 52 |

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

*Contributions*

The employee contribution rates are set by the District and are currently 7%. The District monthly contributions to the plan will be at a rate that equals or exceeds the required rate as annually determined on an actuarial basis. The rate consists of a normal cost contribution rate plus the rate required, as a level percent of payroll, to amortize the unfunded actuarial liability over the plan's 15-year amortization period or to amortize the overfunded actuarial accrued liability over the plan's 30-year amortization period. Both the employees and the District make contributions monthly. The District made contributions of $172,855 and $158,407 during the fiscal year ended January 31, 2025 and 2024 respectfully.

*Actuarial Assumptions*

The total pension liability in the December 31, 2025 actuarial valuation was determined using the Following actuarial assumptions, applied to all periods in the measurement:

| | |
|---|---|
| **Valuation Timing** | Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported. |
| **Actuarial Cost Method** | Entry Age |
| **Amortization Method** | Level percentage of payroll, closed |
| **Remaining Amortization Period** | 15.9 years (based on contribution rate calculated in 12/31/2024 valuation) |
| **Asset Valuation Method** | 5-year smoothed market |
| **Inflation** | 2.50% |
| **Salary Increases** | Varies by age and service. 4.7% average over career including inflation. |
| **Investment Rate of Return** | 7.50%, net of administrative and investment expenses, including inflation. |
| **Retirement Age** | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| **Mortality** | 135% of the RP-2014 Healthy Annuitant Mortality Table for males and 120% of the RP-2014 Healthy annuitant Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |

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

| | |
|---|---|
| **Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions** | 2015: New inflation, mortality and other assumptions were reflected.<br>2017: New mortality assumptions were reflected.<br>2019: New inflation, mortality and other assumptions were reflected. |
| **Changes in Plan Provisions Reflected in the Schedule of Employer Contributions** | 2015: No changes in plan provision were reflected in the Schedule.<br>2016: No changes in plan provision were reflected in the Schedule.<br>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.<br>2018: No changes in plan provisions were reflected in the schedule.<br>2019: No changes in plan provisions were reflected in the schedule.<br>2020: No changes in plan provisions were reflected in the schedule.<br>2021: No changes in plan provisions were reflected in the schedule.<br>2022: No changes in plan provisions were reflected in the schedule.<br>2023: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits. |

*Long-Term Expected Rate of Return*

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

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

| Asset Class | Benchmark | Target Allocation (1) | Geometric Real Rate of Return (expected Inflation) (2) |
|---|---|---|---|
| US Equities | Dow Jones U.S. Total Stock Market Index | 13.00% | 5.35% |
| Global Equites | MSCI World (net) Index | 4.00% | 5.15% |
| International Equities - Developed | MSCI World Ex USA (net) Index | 6.00% | 4.75% |
| International Equities – Emerging | MSCI EM Standard (net) Index | 0.00% | 4.75% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | 2.55% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 9.00% | 3.70% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.85% |
| Distressed Debt | Cambridge Associates Distressed Securities Index (4) | 4.00% | 6.80% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 3.95% |
| Master Limited Partnerships | Alerian MLP Index | 2.00% | 4.95% |
| Commodities | Bloomberg Commodities Index | 2.00% | 1.00% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (5) | 6.00% | 5.75% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index (5) | 25.00% | 8.15% |
| Hedge Funds | Hedge Fund Research, Inc. ("HFRI") Fund of | 6.00% | 3.60% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | 1.10% |

*(1) Target assets allocation adopted at the March 2025 TCDRS Board meeting*
*(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.2%, per Cliffwater's 2025 capital market assumptions.*
*(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*
*(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*
*(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

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

*Discount Rate*

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long- term rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3. The employer's assets are projected to exceed liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

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

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

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

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

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

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

*Sensitivity Analysis*

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

| | **1% Decrease 6.60%** | **Current Discount Rate 7.60%** | **1% Increase 8.60%** |
|---|---|---|---|
| Total pension liability | $ 11,731,442 | $ 10,613,899 | $ 9,641,483 |
| Fiduciary net position | 10,912,917 | 10,912,917 | 10,912,917 |
| Net pension liability / (asset) | $ 818,525 | $ (299,018) | $ (1,271,434) |

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

*Change in the Net Pension Liability (Asset)*

| ***Changes in the Net Pension Liability*** | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net Pension Liability/(Asset) (a) - (b)** |
| Balance at 12/31/2023 | $ 10,089,909 | $ 10,169,087 | $ (79,179) |
| Changes for the year: | | | |
| Service cost | 231,256 | - | 231,256 |
| Interest on total pension liability | 762,966 | - | 762,966 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or loses | 104,581 | - | 104,581 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (65,875) | (65,875) | - |
| Benefit payments | (508,938) | (508,938) | - |
| Administrative expenses | - | (5,941) | 5,941 |
| Member contributions | - | 135,192 | (135,192) |
| Net investment income | - | 1,030,858 | (1,030,858) |
| Employer contributions | - | 170,342 | (170,342) |
| Other Changes | - | (11,810) | 11,810 |
| **Net change** | **523,990** | **743,828** | **(219,838)** |
| **Balance at 12/31/2024** | **$ 10,613,899** | **$ 10,912,917** | **$ (299,018)** |

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

*Breakdown of Pension Expense/(Income)*

| ***For the Calendar year ended 2024*** | **Pension Expense** 1/1/2024 to 12/31/2024 |
|---|---|
| Service cost | $ 231,256 |
| Interest on total pension liability | 762,966 |
| Effect of plan changes | - |
| Administrative expenses | 5,941 |
| Member contributions | (135,192) |
| Expected investment return net of investment expenses | (762,143) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | 37,802 |
| Recognition of assumption changes or inputs | 76,613 |
| Recognition of investment gains or losses | (128,348) |
| Other Changes | 11,810 |
| **Pension expense** | **$ 100,703** |

*Deferred Inflows/Outflows of Resources*

As of January 31, 2025, the deferred inflows and outflows of resources are as follows:

| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual economic experience | $107,356 | $33,056 |
| Changes in actuarial assumptions | $0 | $9,820 |
| Difference between projected and actual investment earnings | $0 | $114,043 |
| Contributions subsequent to the measurement date | $12,491 | $0 |
| Total | $119,847 | $156,919 |

$12,491 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending January 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended Dec 31: | |
|---|---|
| 2025 | $(70,356) |
| 2026 | $158,714 |
| 2027 | $(104,859) |
| 2028 | $(32,825) |
| 2029 | $0 |
| Thereafter | $0 |

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

**NOTE 8: WATER SERVICE RATES**

The following water service rates were in effect during fiscal year ended January 31, 2025:

| | |
|---|---|
| First 2,000 gallons – minimum bill | $ 50.40 |
| Next 4,000 gallons | $ 4.58 per 1,000 gallons |
| Over 6,000 gallons | $ 6.01 per 1,000 gallons |

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

None

**NOTE 10: SUBSEQUENT EVENTS**

The System has evaluated subsequent events through July 11, 2025, the date which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**
**OPERATIONAL BUDGETARY AND ACTUAL**
**YEAR ENDED JANUARY 31, 2025**

| | Budgeted Amounts | | | Variance Favorable |
|---|---|---|---|---|
| | Original | Final | Actual | (Unfavorable) |
| OPERATING REVENUES | $ | | | |
| Water Sales | 4,517,590 | 4,359,200 | 4,831,450 | 472,250 |
| Raw water surcharge | 295,000 | 275,000 | 264,340 | (10,660) |
| Service charges | 160,000 | 160,000 | 170,695 | 10,695 |
| Raw water metered | 165,000 | 165,000 | 117,032 | (47,968) |
| Service connection fee | 40,000 | 25,000 | 20,000 | (5,000) |
| Other untreated water sales | 300 | 300 | 380 | 80 |
| Tapping fees | 40,000 | 25,000 | 25,400 | 400 |
| Other income | 300,000 | 300,000 | 273,724 | (26,276) |
| Total Operating Revenues | 5,517,890 | 5,309,500 | 5,703,021 | 393,521 |
| OPERATING EXPENSES | | | | |
| Water system operations | 3,809,705 | 3,748,721 | 3,953,084 | (204,363) |
| General operations | 619,046 | 765,279 | 908,966 | (143,687) |
| Office operations | 789,439 | 728,500 | 871,216 | (142,716) |
| River plant operations | 90,000 | 90,500 | 70,761 | 19,739 |
| Equipment and relift operations | 37,500 | 42,500 | 102,937 | (60,437) |
| Canal operations | 7,500 | 1,500 | 5,957 | (4,457) |
| Total Operating Expenses | 5,353,190 | 5,377,000 | 5,912,921 | (535,921) |
| Net Operating Income | 164,700 | (67,500) | (209,900) | 929,443 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest earned on investments | 25,300 | 200,500 | 304,635 | 104,135 |
| Interest expense | (185,000) | (133,000) | (104,711) | 28,289 |
| Gain on sale of assets | 0 | 0 | 0 | 0 |
| Net Non-Operating Revenues (Expenses) | (159,700) | 67,500 | 199,924 | 132,424 |
| Change in Net Position | 5,000 | 0 | (9,976) | 1,061,867 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 |
| NET POSITION BEGINNING OF YEAR | 13,108,593 | 13,108,593 | 13,108,593 | 0 |
| NET POSITION END OF YEAR | 13,113,593 | 13,108,593 | 13,098,617 | 1,061,867 |

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JANUARY 31, 2025

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total Pension Liability** | | | |
| Service cost | $ 231,256 | $ 219,139 | $ 212,880 |
| Interest (on the total pension liability) | 762,966 | 734,046 | 697,682 |
| Changes of benefit terms | - | - | 112,634 |
| Difference between expected and actual experience | 104,581 | (34,724) | (30,558) |
| Change of assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (574,813) | (526,194) | (514,858) |
| **Net Change in Total Pension Liability** | 523,990 | 392,267 | 477,780 |
| **Total Pension Liability - Beginning** | 10,089,909 | 9,697,642 | 9,219,862 |
| **Total Pension Liability - Ending (a)** | $ 10,613,899 | $ 10,089,909 | $ 9,697,642 |
| **Plan Fiduciary Net Position** | | | |
| Contributions - employer | $ 170,342 | $ (156,927) | $ 140,217 |
| Contributions - employee | 135,192 | 13,307 | 128,303 |
| Net investment income | 1,030,858 | 1,029,799 | (579,837) |
| Benefit payments, including refunds of employee contributions | (574,813) | (526,194) | (514,858) |
| Refunds | - | - | - |
| Administrative expense | (5,941) | (5,310) | (5,504) |
| Other | (11,810) | (8,194) | (26,117) |
| **Net Change in Plan Fiduciary Net Position** | 743,828 | 346,481 | (857,796) |
| **Plan Fiduciary Net Position - Beginning** | 10,169,087 | 9,391,752 | 10,249,548 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 10,912,915 | $ 9,738,233 | $ 9,391,752 |
| **Net Pension Liability - Ending (a) - (b)** | $ (299,016) | $ 351,676 | $ 305,890 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 102.82% | 96.51% | 96.85% |
| **Covered Payroll** | $ 1,931,318 | $ 1,861,534 | $ 1,832,902 |
| **Net Pension Liability as a Percentage of Covered Payroll** | -15.48% | 18.89% | 16.69% |

| Plan Year Ended December 31, | | | | |
|---|---|---|---|---|
| 2021 | 2020 | 2019 | 2018 | 2017 |
| $ 188,092 | $ 147,856 | $ 160,483 | $ 136,031 | $ 133,782 |
| 660,488 | 629,838 | 597,024 | 558,123 | 522,737 |
| - | - | - | - | - |
| 118,447 | 31,274 | (13,731) | 53,980 | 28,096 |
| (49,108) | 432,183 | (40,379) | - | 20,897 |
| (393,969) | (339,700) | (272,526) | (272,526) | (269,350) |
| 523,950 | 901,451 | 430,871 | 475,608 | 436,162 |
| 8,695,912 | 7,794,461 | 7,363,590 | 6,887,982 | 6,451,819 |
| $ 9,219,862 | $ 8,695,912 | $ 7,794,461 | $ 7,363,590 | $ 6,887,981 |
| | | | | |
| $ 123,021 | $ 106,080 | $ 92,171 | $ 88,915 | $ 81,622 |
| 129,690 | 113,889 | 102,950 | 97,403 | 87,631 |
| 1,859,297 | 811,344 | 1,126,125 | (132,921) | 914,327 |
| (393,969) | (339,700) | (312,905) | (272,526) | (269,350) |
| - | - | - | - | - |
| (5,545) | (6,248) | (5,987) | (5,507) | (4,711) |
| (1,650) | (2,765) | (2,938) | (1,856) | (1,386) |
| 1,710,844 | 682,600 | 999,416 | (226,492) | 808,133 |
| 8,538,704 | 7,856,104 | 6,856,688 | 7,083,180 | 6,275,046 |
| $ 10,249,548 | $ 8,538,704 | $ 7,856,104 | $ 6,856,688 | $ 7,083,179 |
| | | | | |
| $ (1,029,686) | $ 157,208 | $ (61,643) | $ 506,902 | $ (195,198) |
| | | | | |
| 111.17% | 98.19% | 100.79% | 93.12% | 102.83% |
| | | | | |
| $ 1,852,719 | $ 1,626,991 | $ 1,470,718 | $ 1,391,478 | $ 1,251,867 |
| | | | | |
| -55.58% | 9.66% | -4.19% | 36.43% | -15.59% |

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JANUARY 31, 2025

| | Fiscal Year Ended January 31, | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| Actuarially determined contribution | $ 169,751 | $ 158,407 | 144,836.00 |
| Contributions in relation to actuarially determined contribution | (169,751) | (158,407) | (144,836.00) |
| Contribution deficiency (excess) | $ - | $ - | - |
| Covered payroll | $ 1,931,160 | $ 1,872,219 | $ 1,826,818.00 |
| Contributions as a percentage of covered payroll | 8.79% | 8.46% | 7.93% |

| 2022 | | 2021 | | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|
| $ | 119,846 | $ | 123,021 | $ | 106,080 | $ | 92,067 | $ | 88,915 |
| | (119,846) | | (123,021) | | (106,080) | | (92,067) | | (88,915) |
| $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 1,804,906 | $ | 1,852,719 | $ | 1,626,991 | $ | 1,470,718 | $ | 1,391,478 |
| | 6.64% | | 6.64% | | 6.52% | | 6.26% | | 6.39% |

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JANUARY 31, 2025

| | |
|---|---|
| **Valuation Date:** | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year |

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

| | |
|---|---|
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Perioc | 15.9 years(based on contribution rate calculated in 12/31/2023 valuation) |
| Asset Valuation Method | 5-yr smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, net of investment expenses, including inflation. |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 135% of the RP-2014 Healthy Annuitant Mortality Table for males and 120% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110%of the MP-2014 Ultimate scale after 2014. |
| **Other Information:** | There were no benefit changes during the year. |

OTHER TEXAS SUPPLEMENTARY INFORMATION (TSI)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-1 SERVICES AND RATES
YEAR ENDED JANUARY 31, 2025

1. Services Provided by the District

| | | |
|---|---|---|
| X Retail Water | X Wholesale Water | ___ Drainage |
| ___ Retail Wastewater | ___ Wholesale Wastewater | X Irrigation |
| _ Parks/Recreation | ___ Fire Protection | ___ Security |
| _ Solid Waste/Garbage | ___ Flood Control | ___ Roads |

_ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
_ Other (specify): ______________________

2. Retail Rates Based on 5/8" Meter (or equivalent):

Most prevalent type of meter (if not a 5/8"): <=1"

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1000 Gallons Over Minimum Use | Usage Levels |
|---|---|---|---|---|---|
| WATER: | | | | | |
| Res. | $ 50.40 | 2,000 | N | $4.58 | 2,001 to 6,000 |
| | | | | $6.01 | 6,001 & UP |

WASTEWATER:
Res. N/A

SURCHARGE: $0.75/1000 gallons - - - -

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

Total charges per 10,000 gallons usage: Water: $89.90 Wastewater: $______

b. Water and Wastewater Retail Connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|---|---|---|---|---|
| Unmetered | 4 | 4 | x 1.0 | 4 |
| ≤¾" | 4,144 | 4,144 | x 1.0 | 4,144 |
| 1" | 25 | 25 | x 2.5 | 63 |
| 1 1/2" | 8 | 8 | x 5.0 | 40 |
| 2" | 146 | 146 | x 8.0 | 1168 |
| 3" | 15 | 15 | x 15.0 | 225 |
| 4" | 10 | 10 | x 25.0 | 250 |
| 6" | 1 | 1 | x 50.0 | 50 |
| 8" | N/A | N/A | x 80.0 | 0 |
| 10" | N/A | N/A | x 115.0 | 0 |
| Total Water | 4,353 | 4,353 | | |
| Total Wastewater | N/A | N/A | x 1.0 | 5,944 |

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-1 SERVICES AND RATES
YEAR ENDED JANUARY 31, 2025

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

| | |
|---|---|
| Gallons pumped into system: 599,070,000 | Water Accountability Ratio: (Gallons billed/Gallons pumped) |
| Gallons billed to customers: 589,264,000 | 0.9836312917% |

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

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

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

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

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

5. Location of District:

County(ies) in which district is located. Nueces

Is the District located entirely within one county? Yes

Is the District located within a city? Entirely X Partly __ Not at all __
City(ies) in which district is located. Robstown, Texas

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

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

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

If Yes, by whom? N/A

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**
**TSI- 2 DISTRICT EXPENDITURES**
**YEAR ENDED JANUARY 31, 2025**

| | | |
|---|---|---|
| Personnel (including benefits) | $ | 2,424,338 |
| Professional Fees: | | |
| Auditing | | 35,000 |
| Legal | | 126,500 |
| Engineering | | 161,510 |
| Contracted Services | | 40,890 |
| General manager | | |
| Utilities | | 220,998 |
| Repairs and maintenance | | 393,048 |
| Administrative Expenditures: | | |
| Director's Fee | | 36,000 |
| Office Supplies | | 31,353 |
| Insurance | | 154,940 |
| Other expenses | | 2,288,344 |
| Total expenses | | 5,912,921 |

| | | |
|---|---|---|
| Number of persons employed by the District | 29 | full-time |
| | 2 | part-time |

See accompanying notes to financial statements.

# NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
## TSI - 3 SCHEDULE OF TEMPORARY INVESTMENTS
## YEAR ENDED JANUARY 31, 2025

| District | Identification or Certificate Number | Interest Rate | Maturity Date | | Balance at End of Year | Accrued Interest Receivable at End of Year |
|---|---|---|---|---|---|---|
| Cooperative equity: | | | | | | |
| CoBank - 1 | | | | $ | 51,609 | 0 |
| TexPool | 19-1783600002, 4, 5 | 0.0579% | | | 2,880,512 | 0 |
| TexStar | 9999888 | 0.0583% | | | 846,196 | 0 |
| TOTAL | | | | $ | 3,778,318 | 0 |

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

Financial Officer Training:

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

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

TSI -4 TAXES LEVIED AND RECEIVABLE

YEAR END JANUARY 31, 2025

No applicable, no taxes levied or receivables noted

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

TSI - 5 GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

YEAR ENDED JANUARY 31, 2025

Refunding Notes - Series 2006

| Notes due February 1 Year Ending 1/31 | Principal Amount | Interest payments due Feb 1 | Aug 1 | Total Annual Requirements | Principal Balance Outstanding End of Year |
|---|---|---|---|---|---|
| 2025 | | | 14,280 | 14,280 | 680,000 |
| 2026 | 680,000 | 14,280 | - | 694,280 | - |
| | 680,000 | 14,280 | 14,280 | 708,560 | |

Subordinate Lien Revenue Note- CoBank

| Notes due February 1 Year Ending 1/31 | Principal Amount | Interest | Total Annual Requirements | Principal Balance Outstanding End of Year |
|---|---|---|---|---|
| 2025 | | | - | 1,069,828 |
| 2026 | 208,128 | 39,691 | 247,819 | 861,700 |
| 2027 | 216,907 | 31,049 | 247,956 | 644,793 |
| 2028 | 226,056 | 22,048 | 248,104 | 418,737 |
| Thereafter | 418,737 | 15,791 | 434,528 | - |
| | 1,069,828 | 108,579 | 1,178,407 | |

Notes Series 2023, Callable 2/1/2032 at Par, 4%

Notes due February 1

| Year Ending 1/31 | Principal Amount | Interest payments due Feb 1 | Aug 1 | Total Annual Requirements | Principal Balance Outstanding End of Year |
|---|---|---|---|---|---|
| 2025 | | | 81,350 | 81,350 | 3,865,000 |
| 2026 | 100,000 | 81,350 | 78,850 | 260,200 | 3,765,000 |
| 2027 | 105,000 | 78,850 | 76,225 | 260,075 | 3,660,000 |
| 2028 | 110,000 | 76,225 | 73,475 | 259,700 | 3,550,000 |
| 2029 | 115,000 | 73,475 | 70,600 | 259,075 | 3,435,000 |
| Thereafter | 3,435,000 | 776,975 | 703,375 | 4,915,350 | - |
| | 3,865,000 | 1,086,875 | 1,083,875 | 6,035,750 | |

See accompanying notes to financial statements.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

TSI-6: CHANGES IN LONG-TERM BONDED DEBT

YEAR ENDED JANUARY 31, 2025

| | | Series 2006 | CoBank Note | Series 2023 |
|---|---|---|---|---|
| Interest Rate | | 4.20% | 4.08% | 4-5% |
| Date Interest Payable | | 8/1 & 2/1 | Monthly 20th | 8/1 & 2/1 |
| Maturity Dates | | 2-1-2026 | 10-20-2029 | 2/1/2048 |
| Beginning Bonds Outstanding | $ | 1,335,000 | 1,269,391 | 3,960,000 |
| Add: | | | | |
| Bonds Sold During the Fiscal Year | | - | - | |
| Less: | | | | |
| Bonds Refunded During the Fiscal Year | | - | - | - |
| Balance Per Schedule | | 1,335,000 | 1,269,391 | 3,960,000 |
| 2/1/25 Principal Payment Made in FYE 1/31/25 | | (655,000) | (199,563) | (95,000) |
| Ending Bonds Outstanding | $ | 680,000 | 1,069,828 | 3,865,000 |
| Interest Paid During the Fiscal Year | $ | 69,300 | 47,988 | 83,725 |

Paying Agen'ts Name and City: Bank of America/NA Dallas, Texas:

| | | | | |
|---|---|---|---|---|
| Debt Service Fund and Reserve Fund combined balance as of January 31, 2025: | $ | 728,488 | | |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ | 354,280 | 196,401 | 251,490 |
| Amortization of cost of issuing notes: (FYE 1/31/2025): | $ | 18,685 | | |

See accompanying notes to financial statements.

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**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

TSI -7A COMPARATIVE SCHEDULE - REVENUES AND EXPENSES

GENERAL FUND -FIVE YEARS ENDED

YEAR ENDED JANUARY 31, 2025

| | | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| OPERATING REVENUES | | AMOUNT | | AMOUNT | AMOUNT |
| Water Sales | $ | 4,831,450 | 4,597,144 | 4,765,193 | 4,235,229 |
| Raw water surcharge | | 264,340 | 276,908 | 284,210 | 277,866 |
| Service charges | | 170,695 | 155,915 | 160,915 | 134,895 |
| Raw water metered | | 117,032 | 164,095 | 173,324 | 110,342 |
| Service connection fee | | 20,000 | 15,100 | 28,000 | 17,600 |
| Other untreated water sales | | 380 | 300 | 300 | 300 |
| Tapping fees | | 25,400 | 12,800 | 32,000 | 19,900 |
| Sundry income, etc. | | 273,724 | 619,170 | 173,419 | 840,623 |
| Interest on investments | | 304,635 | 271,458 | 63,915 | 9,331 |
| Gain on sale of assets | | 0 | 0 | 0 | 0 |
| Total Operating Revenues | | 6,007,656 | 6,112,890 | 5,681,275 | 5,646,086 |
| | | | | | |
| OPERATING EXPENSES | | | | | |
| Water system operations | | 3,177,578 | 3,338,545 | 3,272,172 | 3,017,166 |
| General operations | | 908,966 | 629,651 | 568,052 | 549,220 |
| Office operations | | 825,987 | 709,568 | 739,944 | 692,670 |
| River plant operations | | 55,495 | 62,164 | 89,359 | 48,742 |
| Equipment and relift operations | | 64,719 | 33,394 | 30,354 | 24,182 |
| Canal operations | | 1,033 | 600 | 6,874 | 18,772 |
| Total Expenses | | 5,033,779 | 4,773,922 | 4,706,755 | 4,350,752 |
| | | | | | |
| Net before non-cash expenses | | 973,877 | 1,338,968 | 974,520 | 1,295,334 |
| | | | | | |
| Depreciation and Amortization | | | | | |
| City water operations | | 0 | - | 712,750 | 526,261 |
| Equipment and relift operations | | 0 | - | 64,283 | 126,739 |
| Canal operations | | 0 | - | 0 | 0 |
| River plant operations | | 0 | - | 15,266 | 0 |
| Office operations | | 0 | - | 1,905 | 1,905 |
| Amortization of water rights | | 18,685 | 4,344 | 4,344 | 9,753 |
| Total Depreciation and Amortization | $ | 18,685 | 4,344 | 798,547 | 664,659 |
| Net Income | | 955,192 | 1,334,624 | 175,973 | 630,675 |

See accompanying notes to financial statements

| 2021 AMOUNT | 2020 AMOUNT | 2024 PERCENT | 2023 PERCENT | 2022 PERCENT | 2021 PERCENT | 2020 PERCENT |
|---|---|---|---|---|---|---|
| 3,984,531 | 4,018,592 | 80.4% | 83.9% | 75.0% | 85.0% | 84.9% |
| 283,932 | 293,901 | 4.4% | 5.0% | 4.9% | 6.1% | 6.2% |
| 94,965 | 158,630 | 2.8% | 2.8% | 2.4% | 2.0% | 3.4% |
| 122,099 | 104,843 | 1.9% | 3.1% | 2.0% | 2.6% | 2.2% |
| 30,600 | 21,200 | 0.3% | 0.5% | 0.3% | 0.7% | 0.4% |
| 300 | 2,800 | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% |
| 8,600 | 6,500 | 0.4% | 0.6% | 0.4% | 0.2% | 0.1% |
| 134,846 | 36,139 | 4.6% | 3.1% | 14.9% | 2.9% | 0.8% |
| 28,792 | 88,136 | 5.1% | 1.1% | 0.2% | 0.6% | 1.9% |
| - | - | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 4,688,666 | 4,730,741 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | | | |
| 2,721,431 | 2,587,634 | 52.9% | 57.6% | 53.4% | 58.0% | 54.7% |
| 463,155 | 541,772 | 15.1% | 10.0% | 9.7% | 9.9% | 11.5% |
| 743,509 | 589,859 | 13.7% | 13.0% | 12.3% | 15.9% | 12.5% |
| 170,194 | 111,407 | 0.9% | 1.6% | 0.9% | 3.6% | 2.4% |
| 9,930 | 30,483 | 1.1% | 0.5% | 0.4% | 0.2% | 0.6% |
| 4,156 | 61,942 | 0.0% | 0.1% | 0.3% | 0.1% | 1.3% |
| 4,112,375 | 3,923,097 | 83.8% | 82.8% | 77.1% | 87.7% | 82.9% |
| | | | | | | |
| 576,291 | 807,644 | 16.2% | 17.2% | 22.9% | 12.3% | 17.1% |
| | | | | | | |
| 518,870 | 493,913 | 0.0% | 12.5% | 9.3% | 11.1% | 10.4% |
| 26,655 | 33,315 | 0.0% | 1.1% | 2.2% | 0.6% | 0.7% |
| 59,089 | 61,021 | 0.0% | 0.0% | 0.0% | 1.3% | 1.3% |
| 10,472 | 10,937 | 0.0% | 0.3% | 0.0% | 0.2% | 0.2% |
| 26,945 | 12,208 | 0.0% | 0.0% | 0.0% | 0.6% | 0.3% |
| 9,753 | 9,753 | 0.3% | 0.1% | 0.2% | 0.2% | 0.2% |
| 651,784 | 621,147 | 0.3% | 14.1% | 11.8% | 13.9% | 13.1% |
| (75,493) | 186,497 | 15.9% | 3.1% | 11.2% | -1.6% | 3.9% |

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED JANUARY 31, 2025

| | |
|---|---|
| Complete District Mailing Address: | 501 E. Main Street<br>Robstown, Texas 78380 |
| District Business Telephone No. | 361-387-4549 |
| Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 36.054, 49.054) | $ 7,200 |

| Name and Address | Title | Expiration of Term | Fees | Expense Reimbursement | Resident of District | Relationships With Major Land Owners, Engineer/ Attorney and Tax Assessor |
|---|---|---|---|---|---|---|
| Ronnie Salinas<br>104 Mesa<br>Robstown, Texas 78380 | President | 5/7/2026<br>Elected | $ 7,200 | - | Yes | None |
| Richard Villarreal<br>609 W. Ligustrum<br>Robstown, Texas 78380 | Vice-President | 5/2/2024<br>Elected | $ 7,200 | - | Yes | None |
| Ramiro Alejandro<br>1203 Baker St.<br>Robstown, Texas 78380 | Secretary | 5/5/2026<br>Elected | $ 7,200 | - | Yes | None |
| Rene M Vela Jr<br>117 Mesa Dr<br>Robstown, Texas 78380 | Director | 5/5/2026<br>Elected | $ 7,200 | - | Yes | None |
| Jose Angel Rodriguez<br>523 Marie<br>Robstown, Texas 78380 | Director | 5/2/2024<br>Elected | $ 7,200 | - | Yes | None |

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

The accompanying notes are an intergral part of this statement.

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

YEAR ENDED JANUARY 31, 2025

| | | | | | |
|---|---|---|---|---|---|
| Complete District Mailing Address: | | 501 E. Main Street<br>Robstown, Texas 78380 | | | |
| District Business Telephone No. | | 361-387-4549 | | | |
| Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 49.060) | | $ 7,200 | | | |
| Name and Address | Title | piration of T | Fees | Resident of District | Relationships With Major Land Owners, Engineer/ Attorney and Tax Assessor |
| **Key Administrative Personnel** | | | | | |
| Marcos Alaniz<br>P. O. Box 1147<br>Robstown, Texas 78380 | District Manager | 12/23/26 | $126,000 | Yes | None |
| Addie Salinas-Hollers<br>P. O. Box 1147<br>Robstown, Texas 78380 | Director of Finance and Administrative | 9/15/2024 | $114,161 | No | None |
| **District Engineer** | | | | | |
| Ardurra Group<br>801 Navigation Blvd #300<br>Corpus Christi, Texas 78408 | Engineer | | 85,900 | No | None |
| **District Legal Council:** | | | | | |
| Armando B Gonzalez, Jr.<br>924 Leopard Street<br>Corpus Christi, Texas 78401 | Attorney | | 50,000 | No | None |
| Ernest R. Garza & Comp. P.C. CPA'S<br>10201 Leopard #A<br>Corpus Christi, Texas 78410 | Independent Auditor | | 35,000 | No | None |

The accompanying notes are an intergral part of this statement.

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