



Control Number: 42952



Item Number: 4

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

Bryan W. Shaw, Ph.D., Chairman
Carlos Rubinstein, Commissioner
Toby Baker, Commissioner
Zak Covar, Executive Director



RECEIVED

2014 SEP 18 PM 2:06

PUBLIC UTILITY COMMISSION
FILING CLERK

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 21, 2012

Steve Rourke, President
Our Water Supply Corporation
1556 Baker Rd
Burleson, TX 76028

Re: Compliance Evaluation Investigation at: Our WSC, 3722 Carols Ct., Burleson,
Tarrant County, Texas
TCEQ ID No.: 2200282, Inv. No. 1006373, RN101200236

Dear Mayor Bowen:

On June 4, 2012, Daniel Long of the Texas Commission on Environmental Quality (TCEQ) D/FW Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for Public Water Supply systems. No violations were documented during the investigation, however, please see the enclosed Additional Issue.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Daniel Long in our D/FW Region Office at 817/588-5859.

Sincerely,

Charles Marshall
Team Leader, Public Water Supply Section
D/FW Regional Office

CM/dml

cc: TCEQ-Austin

Enclosure: Summary of Investigation Findings

4

PREPARED IN COOPERATION WITH THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
The preparation of this report was financed through grants from the State of Texas through the Texas Commission on Environmental Quality.

OUR WSC	Investigation # 1006373 Investigation Date: 06/04/2012
, TARRANT COUNTY,	
Additional ID(s): 2200282	
No Violations Associated to this Investigation	
ADDITIONAL ISSUES	

Description
Item 1

Additional Comments

At the time of the investigation, the 2,500 gallon pressure tank seemed to be empty and off line. When the site glass valves were opened (top and bottom) water did not enter the sight glass, indicating that there was no water in the tank. The valve connecting the pressure tank to the distribution was closed. The operator was unaware of any reason the pressure tank would not be operational. The system should determine the reason why the pressure tank had been taken off-line and allow the tank to operate as a pressure maintenance facility.

6-5-12

At Water Works Came Out -
The Top Valve was closed
operator does not know why -
it was opened 2500 gal
Pressure Tank Filled Up
and is Working
Properly -

Robert Brown Spoke
To Johnnie Shackleford -

C:\Documents and Settings\dlong\My Documents\Files\Wp6_Survey\1-Tarrant (220)\2200282.12.Our WSC.wpd

PUBLIC WATER SUPPLY REGULATORY PROGRAM**REGULATED ENTITY DATA**

CCI Inv #: 1006373 RN101200236

ID No. 2200282 GW multi: Y/N # _____ SW multi: Y/N _____ C Community (c) Y NTNC no. _____ Non-Comm (n) _____
 CCN No. 12017 Superior N Approved _____ Probation No Under Enforcement No Region 4
 Name of System Our Water Supply Corporation County Tarrant
 Physical location 3722 Carols Ct. Burleson, TX
 Responsible Official Steve Rourke Title President Phone 817-478-1529
 Mailing Address 3722 Carols Ct., Burleson, TX 76028-3154 e-mail GailRourke@gmail.com
 Chief Cert Op Name Robert Brown Grade & Type C-dist. Phone 817-478-1529 hm 5863
 2nd Op Req'd? No Name N/R Grade & Type N/A Total # Cert. Ops. 1
 WS Manager/Superintendent Robert Brown Other Officials Contacted Mrs. Gail Rourke
 Surveyed With Mrs. Gail Rourke Area Served Our WSC
 Supplier and Source Our WSC groundwater
 Interconnection w/other PWS? No Name PWS I/C N/A Type I/C N/A
 Retail Service Connections 57 Retail Meters 57 Retail Population 171 3 times conn.
 Wholesale Master Meters _____ Wholesale Service Connections _____ Wholesale Population _____
 Charge? Y Dist. to and Name of Nearest Adjacent to Bethesda (has dual certification)
 Type of Investigation (CCI, CCMM, REC, Other) CCI Previous Investg. Date 2/19/2009
 Schematic Attached Yes N/A Well Operational Status Changed? No

Description of Supply, Source, Treatment, and Chemicals Used:

Our WSC has one pump station pumping to a single pressure plane. The water system serves 57 connections, and an estimated population of 171 persons based on 3 persons per connection.

P/S #1, located behind 3722 Carols Ct., has three wells. Well #2 (G2200282B) and Well #3 (G2200282C) are both Paluxy wells located at the pump station site. Well #1 (G2200282A), also located at the pump station site, is abandoned. Water is hypo-chlorinated prior to storage in one 21,000 gallon ground storage tanks. Water is pumped from ground storage to the distribution with a 3 hp service pump and a 5 hp service pump (POE #001). Pressure maintenance is provide by a 2,500 gallon pressure tank situated at the P/S site. Note: Well #2 at depth of 710 feet and Well #3 at depth of 700 feet are both situated at the pump station site and very likely have overlapping cones of depression.

Total Well Cap.	<u>107</u> gpm	<u>0.154</u> mgd	RAW Cap.	<u>0</u> gpm	<u>0.000</u> mgd
Treatment Cap.	<u>0</u> gpm	<u>0.000</u> mgd	Total Svc. Pump Cap.	<u>160</u> gpm	<u>0.2304</u> mgd
Total Elevated Storage	<u>0</u>	Total Storage Cap.	<u>21,000</u> gallons	Pressure Tank Cap.	<u>2,500</u> gallons
Maximum Daily Usage	<u>18,991</u> gpd	Date <u>7/4/2008</u>	Average Daily Usage	<u>10,551</u> gpd	Time Period <u>4/1/2011 - 4/1/2012</u>
Wholesale Contract	<u>0 22,307</u>	<u>7-25/1</u>	Maximum Purchase Rate	<u>0.000</u> MGD	

MICROBIOLOGICAL

Samples Submitted per DWS? Last 12 mo. Ok

Y	N
<u>Y</u>	
<u>N/A</u>	
<u>N/A</u>	
<u>Yes</u>	

Raw Samples Submitted, if Required?

Well(s) Surface Water Influenced?

Acceptable Sample Siting Plan on File? (250.121)

Number of Samples Required Based on Current Population of 171Number of Samples Required 1 # Submitted 1Number of Raw Samples Required 0 # Submitted 0Non-Comm Dates of Operation N/A Thru _____

Note:

CHEMICALAcceptable Quality? Yes Date, Last Analysis IOC 11/21/05 NO₂/NO₃ RC 4/22/08 VOC _____ SOC _____

List UNACCEPTABLE Values _____

HAS PROPER PUBLIC NOTIFICATION BEEN GIVEN? N/R Date _____Date of Survey 6/4/2012 By: Daniel Long

Date of Approval _____ By: _____

Letter Date, if different from Approval Date 6/18/2012 Reply Requested _____ Def. Score of this Survey 0mor - 1a week

I.D. No: 2200282

Survey Date 6/4/2012

OPERATION AND MAINTENANCE

(Please note: all violations listed below include paragraph numbers from §290 of the Rules and Regulations for PWSs.)

I. OPERATIONAL

Monthly Reports Submitted to TNRCC (if Required)?
 MOR's Property Completed?
 Dead End Mains Flushed?
 Plant Operation Manual? *in file 2009*
 Supply of Disinfectant on Hand?
 85% Planning Report, if needed?

	Y	N
[46.f] Distribution Map Up-to-Date?	N/R	
[46.f] Ownership Signs Properly Displayed and Maintained?	Y	
[46.f] Adequate Chemical Storage Provided?	Y	
[46.g] ANSI/NSF Approved Chem/Media? <i>Simply Aquadec</i>	Y	
[46.h] Facilities Properly Maintained?	Y	
[291.93.3] If Superior/Approved, Signs Properly Disp. & Maint. Drought Contingency Plan	Y	

	Y	N
[46.n.2]	Y	
[46.i]	Y	
[42.d.6]	Y	
[42.j]	Y	
[46.m]	Y	
[47.a]	N/R	
[288]	Y	

II. STORAGE TANKS

Storage Tanks Properly Covered?
 Tanks Tight Against Leakage?
 Vents Properly Installed?
 Openings Properly Screened?
 Proper Roof Hatch Provided?
 Roof Hatch Kept Locked?
 Proper Overflow Provided?
 Constructed in Accordance w/ AWWA

	Y	N
[43.c] Proper Water Level Indicator Provided?	Y	
[43.c.6] Drains Properly Connected?	Y	
[43.c.1] Inlet and Outlet Properly Located?	Y	
[43.c.1] Disinfection Residual in Water Storage Tank?	Y	
[43.c.2] Intruder Resistant Fence?	Y	
[43.c.2] Tanks Properly <u>Inspected, & Maintained</u> , Docs.	Y	
[43.c.3] Below Ground Storage Properly Located?	Y	
[43.c] Inspection Ladder Provided?	Y	

	Y	N
[43.c.4]	Y	
[43.c.7]	Y	
[43.c.5]	Y	
[43.c.2]	Y	
[43.c]	Y	
[46.m.1.A]	Y	
[43.b]	NA	
[43.c]	Y	

III. PRESSURE TANKS

Accurate Pressure Gauges?
 Pressure Release Device Provided?
 Proper Facilities for Air/Water Ratio/Air filter?
 Air-Water Volume Indicator Provided?

	Y	N
[43.d.2] Tanks Tight Against Leakage?	Y	
[43.d.2] Routinely <u>Inspected</u> , Maintained, Documented?	Y	
[43.d.3] Fenced or <u>Housed</u> ?	Y	
[43.d.3] Approval for >3 pressure tanks at one location? ASME, if Required?	Y	

	Y	N
[43.d.7]	Y	
[46.m.1.B]	Y	
[43.e]	Y	
[43.d.9]	NA	
[43.d.1]	NR	

IV. DISTRIBUTION☐ Southern Std. Plumbing Code☐ Uniform Plumbing Code☐ National Std. Plumbing Code☐ International Plumbing Code

Plumbing Ordinance or Service Agreement?
 Customer Service Inspection Program? *No new customers*
 Backflow Assembly Report Recorded, if needed? *N/R, all residential*
 Sewer Lines Properly Located?
 Minimum Residual Pressure \geq 20 PSI?
 Normal Working Pressure \geq 35 PSI?
 Tested _____ psi Locations: 1556 Baker

	Y	N
[46.i] Properly Installed Distribution Piping?	Y	
[46.j] Adequate Flush/Gate Valves?	Y	
[44.h.4.C] Air Release Valves Properly Installed?	Y	
[44.c] In-Line Booster Pumps in System? **	Y	
[44.d.4.6.f] In-Line Booster Pumps in System Approved?	Y	
[44.d.4.6.f] If Yes, Pressure Cut-off \geq 20 psi Provided?	Y	

Service meters provided?
 **Location:

	Y	N
[44.a]	Y	
[44.d.6]	Y	
[44.d.1]	Y	
[44.d.2]	NA	
[44.d.2]	NA	
[44.d.2&3]	NA	
[44.d.4]	Y	

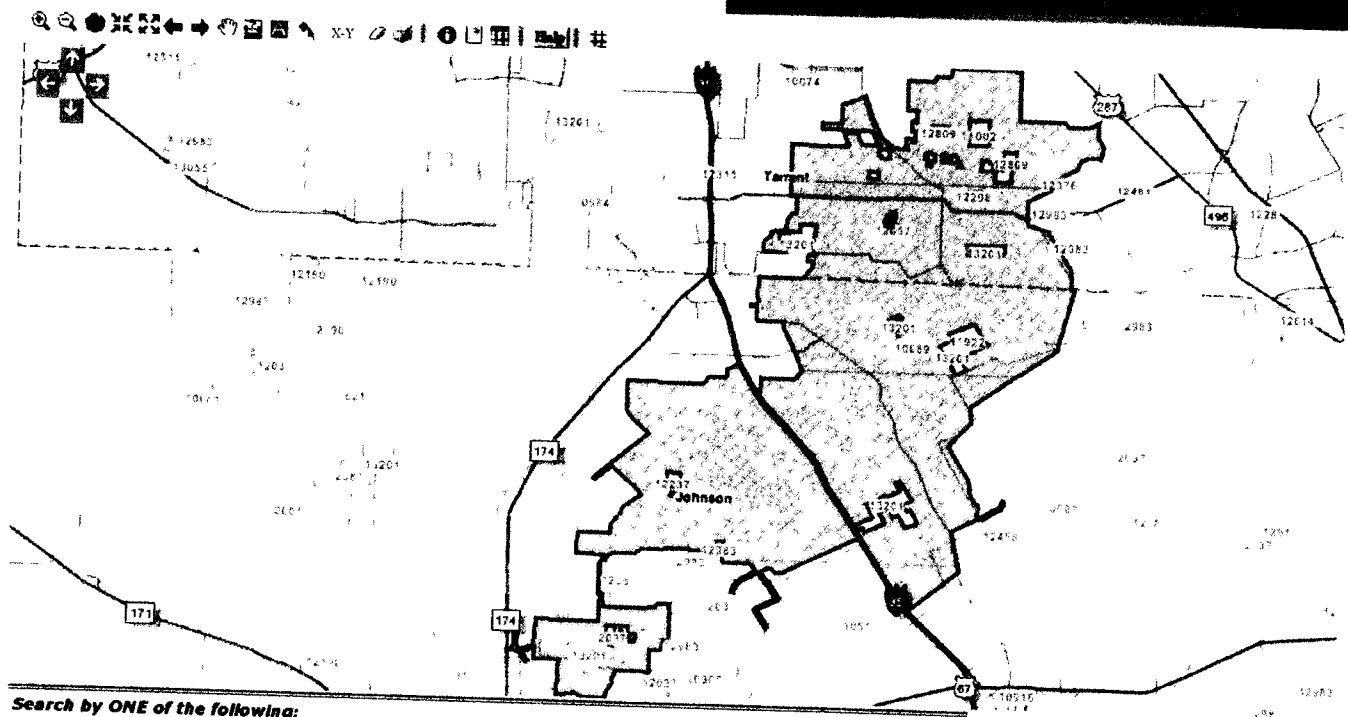
V. DISINFECTION

Disinfection Equipment Adequate in Capacity?

[42.a.3.A] ☒ Adequate Residual Maintained/Recorded?[46.f.8.110] ☒

Time Disinfection Used: _____ hypochlorite: _____

CL₂ = 2.0 Mg/L (F) Locations: 1556 Baker



Search by ONE of the following:

City Enter City Name

County Enter County Name

Zip Code Enter Zip Code

CCN # Water Service Areas ▼

Water District Enter Water District Name

Address Enter Street

Intersection Enter Street1

Lat - Long Enter Latitude

Find City

Find County

Find Zip Code

10089

Find Water District

Enter City

Enter Street2

Enter Longitude

Find CCN

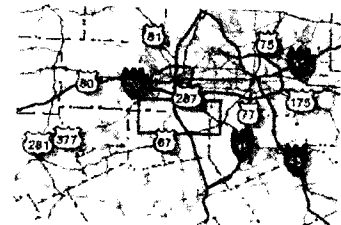
Enter Zip

Enter City or Zip Code

Find Lat - Long

Find Address

Find Intersection



- Our WSC coal 17011

green - Bethesda WSC 17011 20

Alto - 11

P.O. Box 13

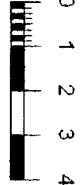
Austin, Tex

For more in

Water Supp

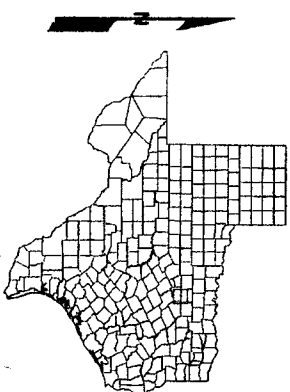
08/01/2013

of Interest



Legend

- Water CCN Facility Line**
Sewer CCN Facility Line
Senate - Districts
House - Districts
TCEQ Service Region Boundary
County Boundary
Sewer CCN Service Area
Water CCN Service Area
City Boundary
- CCN Overlay Key**
- Sewer-Water CCN Service Area**



Disclaimer:

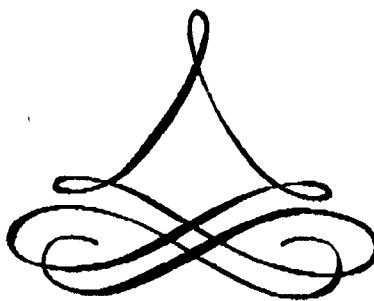
This map was generated by the Integrated Water Utilities Database (IWUD) from the Texas Commission on Environmental Quality. No claims are made to the accuracy or completeness of the data or to its suitability for a particular use.

As of 08/07/13

Exhibit
~~Attachment~~ *C*, Question 23
Bethesda Water Supply Corporation
PO Box 130, Burleson, TX 76028

Certified Operators for Bethesda Water Supply Corporation

<u>Name</u>	<u>Class</u>	<u>License Number</u>	<u>Expires</u>
Steven M Sievers	BPAT	BP0001071	03/04/2014
	CSI	CI0000615	02/19/2014
	W A	WD0002049	06/11/2016
	WWB	WW0016548	12/15/2013
David Kersh	BPAT	BP0006791	3/04/2014
	CSI	CI0003461	2/19/2014
	C	WG0005979	6/05/2014
Carl Nowak	C	WG0006365	6/12/2014
Lloyd Cavin	B WG	WG0011052	11/16/2013
	CSI	CI0007112	06/22/2016
Patrick Crowe	C WG	WG0012592	02/18/2016
	C WW	WW0002656	03/15/2014
John Reddy	CSI	CI0006944	06/22/16
	C SW	WS0002410	09/16/14
	C WG	WG0002495	06/26/15
	C WW	WW0023510	01/17/16
Jose Garcia	C WG	WG0011308	09/05/14
Manuel Mendez	C WG	WG0012594	12/08/13



OUR WATER SUPPLY CORPORATION
3722 CAROL'S COURT
BURLESON TEXAS 76028
AUGUST 13, 2013

Hi Dana,

Here are the things you were asking for to complete Transfer Application with TCEQ.

1. According to meeting notes I found dated February 10, 2001, T.N.R.C.C. was contacted through Public Water Supply in Austin 512-239-6020. Said the water rate could be changed and to send a copy to Michelle Abrams, 12100 Park 35 Circle, Bldg F, MC-153, Austin. TX 78753. The rate change was voted on June 3, 2001. It went into effect July 1, 2001. There is no record as to whether the notice of increase was sent.
2. The list of all members with date of membership fee and amount.
3. The "Certification of Account Status", which they said was no longer necessary. Not necessary.
4. Copy of last TCEQ inspection. Faxed to you 8/12/2013.

I hope this is what you need. Let me know what else is needed.

Thanks,

Gail

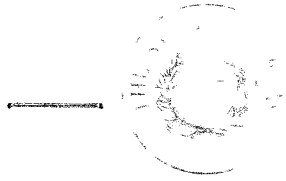
TABLE 3 - HISTORICAL WATE CONSUMPTION (THOUSAND GALLONS)						
Fiscal Year	Daily	Peak	Peak	Water	Water	Water
End 12/31	Average	Day (1)	Month	Pumped	Billed	Revenue
2007	2,674,986	7,200,233	137,052,950	1,024,496,860	\$4,994,302	\$5,049,409
2008	3,450,695	10,308,060	246,872,330	1,329,122,050	\$6,456,160	\$6,456,160
2009	3,189,400	10,420,800	208,566,800	148,184,700	\$6,309,636	\$6,204,382
2010	3,735,658	9,421,800	227,058,800	1,304,329,046	\$5,503,083	\$5,603,330
2011	4,647,564	11,251,167	292,168,520	1,696,360,712	\$8,245,042	\$8,188,029
2012	3,969,072	11,836,795	239,475,437	1,448,711,357	\$6,936,817	\$6,736,530

(1) Does not include usage from existing delivery points.

TABLE 4 - NUMBER OF CONNECTIONS						
2007	9,278					
2008	9,443					
2009	9,544					
2010	9,623					
2011	9,724					
2012	9,781					

TABLE 5 - MONTHLY WATER RATES (AS OF MARCH 1, 2012)						
Old Rate Charges			New Rate Charges			
Present Rates and Charges			Present Rates and Charges			
\$15.75 minimum			\$15.75 minimum			
First 10,000 gallons \$3.25 per 1,000 gallons used			First 10,000 gallons \$3.25 per 1,000 gallons used			
10,001 to 20,000 \$3.50 per 1,000 gallons used			10,001 to 20,000 \$3.50 per 1,000 gallons used			
20,001 to 30,000 \$3.75 per 1,000 gallons used			20,001 to 30,000 \$3.75 per 1,000 gallons used			
30,001 to 55,000 \$4.25 per 1,000 gallons used			30,001 to 55,000 \$4.25 per 1,000 gallons used			
Over 55,000 gallons \$5.50 per 1,000 gallons used			Over 55,000 gallons \$5.50 per 1,000 gallons used			

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 9, 2011

Mr. Steve Sievers, General Manager
Bethesda WSC
P.O. Box 130
Burleson, Texas 76097

Re: Comprehensive Compliance Investigation at:
Bethesda WSC, 509 South Burleson Blvd., Burleson, Johnson County, Texas
RN102690344; TCEQ ID No. 1260017; Investigation No. 905666

Dear Mr. Sievers:

On March 14, 2011 Ms. Brittany Pettitt of the Texas Commission on Environmental Quality (TCEQ), D/FW Metroplex Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Brittany Pettitt in the Dallas/Fort Worth Region Office at (817) 588-5820.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall", is written over the word "Sincerely,".

Charles Marshall
PWS Team Leader
D/FW Region Office

CM/bfp

9:02 AM

09/05/13

Cash Basis

Bethesda WSC
Trial Balance
As of August 31, 2013

Exhibit B

	Aug 31, 13	
	Debit	Credit
1000 · Cash	400.00	
1010 · Community Bank		3,144.02
1012 · Community Reserve	0.00	
1015 · Community Sweep	2,110,985.09	
1016 · Community ACH	16,150.72	
1017 · Construction Funds	0.00	
1018 · Interest & Sinking Fund	0.00	
1020 · First Nat Bank- Money Market	60,406.96	
1022 · BBVA - COMPASS	2,196,328.49	
1030 · Compass Bank / Texas Bank	87,010.36	
1031 · Members Credit Union	20.00	
1032 · Omni American	62,696.92	
1033 · American National Bank of Texas	66,260.16	
1035 · Prospera Financial-Money Market	0.00	
1036 · American Funds	0.00	
1037 · Wachovia I & S	0.00	
1038 · Omni American Savings	0.00	
1040 · Payroll Acct		261.53
1060 · Investments-Reserved	0.00	
1070 · Investments-Cert of Deposit	324,543.34	
1080 · Interest Receivable	0.00	
1206 · Uncollectable Accounts		40,831.68
1120 · Inventory Asset	0.00	
1200 · Accounts Receivable-water	766,527.04	
1210 · Notes Receivable		2,900.99
1250 · Prepaid Insurance	11,143.38	
1300 · Inventory	128,200.93	
1500 · Land	1,228,972.17	
1510 · Office Furniture and Fixtures	433,711.33	
1520 · Distribution System	29,579,299.55	
1530 · Pump Station	11,332,432.55	
1540 · Wells	3,645,008.53	
1550 · Machinery and Equipment	662,543.83	
1560 · Trucks	471,602.97	
1570 · Warehouse Buildings	110,823.86	
1575 · Construction In Progress	268,585.80	
1580 · Office Building	2,252,006.21	
1590 · Easements	0.00	
1600 · Accumulated Depreciation		23,982,583.58
1900 · Deposits	100.00	
1910 · Bond Issuance Costs	618,847.48	
3100 · Capitol Outlay	194,978.31	
3200 · Complex Contruction	0.00	
2210 · Accounts Payable		194,800.55
2250 · City of Burleson A/P	0.00	
2100 · Payroll Liabilities		324.23
2110 · Fica Withheld	0.00	
2120 · Federal Income Tax Withheld	0.00	
2200 · Property Insurance	0.00	
2205 · TCEQ Assessment Fees		21,361.41
2207 · GCD FEES		7,008.05
2215 · Accrued Interest	0.00	
2220 · Impact Fees Payable		9,212.00
2225 · FW Wastewater Impact	0.00	
2240 · City of Burleson		25,305.89
2300 · Health Insurance		376.84
2305 · Dental Insurance	0.00	
2310 · 401K LOAN REPAYMENT	0.00	
2400 · AFLAC Insurance		1,028.35
2410 · Life Insurance Withheld	0.00	
2415 · 401 K Employee Contributions	0.00	
2420 · Payroll Garnishments	0.00	
2080 · First National Bank Loan		1,235,537.03
2090 · Issue of Bonds		6,420,000.00

9:02 AM
09/05/13
Cash Basis

Bethesda WSC

Trial Balance

As of August 31, 2013

	Aug 31, 13	
	Debit	Credit
2500 · Note Payable-GMAC	0.00	
2510 · Note Payable-United Coop Serv	0.00	
3000 · Opening Bal Equity	0.00	
3110 · Retained Earnings		19,207,831.45
3120 · Contributed Capital		3,327,373.02
3125 · Contributed Capital-Tarrant Co		1,507,539.54
3130 · Contributed Capital -Tarrant Co	251,801.31	
3140 · Unrealized Loss On Investments	0.00	
3150 · Membership		681,345.37
4010 · Water Sales		4,196,506.10
4015 · Sewer Sales Fort Worth		58,766.86
4030 · Installation Fees		27,293.00
4090 · Penalty Fees		171,422.10
4100 · Other Income		49,241.48
4110 · Royalties		26,989.75
4530 · Equity Buy In Fee		59,500.00
4550 · Interest		2,149.03
5000 · Administration:5010 · Salaries	160,525.44	
5000 · Administration:5020 · Payroll Taxes	12,145.46	
5000 · Administration:5030 · Health Insurance	15,490.46	
5000 · Administration:5035 · Pension	4,021.87	
5000 · Administration:5040 · Legal	8,395.84	
5000 · Administration:5050 · Accounting	13,660.00	
5000 · Administration:5060 · Professional Dues	6,927.00	
5000 · Administration:5070 · Professional Membership Dues	6,203.00	
5000 · Administration:5080 · Seminars & Training	11,081.76	
5000 · Administration:5090 · Regulatory Fees	200.00	
5000 · Administration:5100 · Promotional - Advertising	1,121.01	
5000 · Administration:5110 · Transportation	3,874.92	
5000 · Administration:5120 · Meals & Gatherings	6,953.80	
5000 · Administration:5130 · Clothing	605.00	
5000 · Administration:5140 · Communications	1,327.78	
5000 · Administration:5150 · Liability Insurance	125.00	
5000 · Administration:5170 · Uncollectable Accounts		3,359.83
6000 · Distribution:6010 · Salaries	300,571.90	
6000 · Distribution:6020 · Payroll Taxes	22,798.46	
6000 · Distribution:6030 · Health Insurance	60,293.40	
6000 · Distribution:6040 · Pre-Employment & Other	138.65	
6000 · Distribution:6050 · Pension	9,100.85	
6000 · Distribution:6070 · Training	1,148.85	
6000 · Distribution:6080 · Repairs and Maintenance	90,157.53	
6000 · Distribution:6090 · Wells	28,468.22	
6000 · Distribution:6120 · Buildings and Grounds	60,336.71	
6000 · Distribution:6125 · SCADA	27,565.09	
6000 · Distribution:6130 · Meters and Settings		410.32
6000 · Distribution:6140 · Equipment & Machinery	3,607.30	
6000 · Distribution:6150 · Electricity	326,081.69	
6000 · Distribution:6160 · Water Treatment	21,972.79	
6000 · Distribution:6180 · Communications	3,810.48	
6000 · Distribution:6200 · Minor Tools	597.32	
6000 · Distribution:6210 · Transportation	61,348.81	
6000 · Distribution:6220 · Chem. Analysis & Bact. Testing	37,793.03	
6000 · Distribution:6230 · Wholesale Water Purchase	1,254,167.12	
6000 · Distribution:6235 · Wholesale Sewer Expense	39,460.53	
6000 · Distribution:6240 · Safety Gear and Uniforms	8,577.27	
6000 · Distribution:6260 · Liability Insurance	64,361.16	
6000 · Distribution:6270 · Contract Labor	8,394.00	
7000 · Office:7010 · Salaries	117,100.34	
7000 · Office:7020 · Payroll Taxes	8,249.94	
7000 · Office:7030 · Health Insurance	28,145.62	
7000 · Office:7040 · Pre-Employment & Other	176.35	
7000 · Office:7050 · Pension	4,009.42	
7000 · Office:7070 · Customer Notification	9,317.58	
7000 · Office:7080 · Filing Fees	1,647.00	

9:02 AM

09/05/13

Cash Basis

Bethesda WSC
Trial Balance
As of August 31, 2013

	Aug 31, 13	
	Debit	Credit
7000 · Office:7090 · Postage	3,382.38	
7000 · Office:7100 · Maintenance Contracts	3,750.30	
7000 · Office:7105 · Contract Billing	47,181.99	
7000 · Office:7110 · Utilities	13,377.42	
7000 · Office:7119 · Janitorial	3,144.68	
7000 · Office:7120 · Buildings & Grounds	8,340.01	
7000 · Office:7130 · Office Supplies	8,379.68	
7000 · Office:7140 · Communications	7,012.51	
7000 · Office:7150 · Office Equip. Repair	976.50	
7000 · Office:7180 · Clothing	85.25	
8000 · Other:8010 · Debt Interest	152,528.54	
8000 · Other:8012 · Complex Debt Interest	22,673.79	
8000 · Other:8020 · Depreciation	747,724.08	
8000 · Other:8025 · Amortization	11,802.40	
9000 · Captial Outlay:9010 · Water System Improvements	292,425.80	
9000 · Captial Outlay:9015 · Metering Equipment	144,778.19	
9000 · Captial Outlay:9020 · Office Equipment	541.24	
9000 · Captial Outlay:9030 · Equipment & Machinery	886.50	
9000 · Captial Outlay:9035 · Disinfection & Treatment System	5,157.95	
9000 · Captial Outlay:9040 · Buildings	6,800.00	
9000 · Captial Outlay:9070 · Engineering	31,090.00	
9000 · Captial Outlay:9071 · Security	18,921.75	
TOTAL	61,264,404.00	61,264,404.00

Exhibit B

Answers questions

11.C.

16.

BETHESDA WATER SUPPLY CORPORATION

Audited Financial Statements

December 31, 2008 and 2007

Gilliam, Wharram & Co., P.C.
Certified Public Accountants

BETHESDA WATER SUPPLY CORPORATION
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GILLIAM, WHARRAM & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

107 WESTMEADOW DR. • P.O. BOX 118
CLEBURNE, TEXAS 76033 • (817) 641-2274
FAX (817) 641-2474

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bethesda Water Supply Corporation
Burleson, Texas

We have audited the accompanying statements of financial position of Bethesda Water Supply Corporation (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethesda Water Supply Corporation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on page 15 and 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilliam, Wharram & Co., P.C.

Gilliam, Wharram & Co., P.C.
March 9, 2009



BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$ 5,067,813	\$ 4,458,737
Investment in certificates of deposit	320,261	316,570
Investment in mutual funds	78,128	110,023
Accounts receivable	368,620	359,139
Notes receivable	6,248	6,725
Inventory	130,017	111,157
Prepaid expenses	12,304	12,304
Total Current Assets	<u>5,983,391</u>	<u>5,374,655</u>
Restricted Assets:		
Interest and sinking fund	267,337	305,745
Construction fund	6,456	6,303
Total Restricted Assets	<u>273,793</u>	<u>312,048</u>
Property, Plant and Equipment:		
Property, plant and equipment, total	40,325,530	38,747,061
Less: Accumulated depreciation	<u>(17,597,937)</u>	<u>(16,322,609)</u>
Total Property, Plant and Equipment, net	<u>22,727,593</u>	<u>22,424,452</u>
Other Assets:		
Deferred debt issue costs, net of amortization	424,887	442,591
Notes receivable	3,439	4,383
Deposits	100	100
Total Other Assets	<u>428,426</u>	<u>447,074</u>
Total Assets	<u>\$ 29,413,203</u>	<u>\$ 28,558,229</u>

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

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current Liabilities:		
Accounts payable	\$ 172,721	\$ 129,078
Other accrued expenses	68,891	66,510
Current portion of long-term debt	<u>125,000</u>	<u>120,000</u>
Total Current Liabilities	<u>366,612</u>	<u>315,588</u>
Long-term Debt:		
Bonds payable	6,975,000	7,095,000
Less: Current portion of long-term debt	<u>(125,000)</u>	<u>(120,000)</u>
Total Long-Term Debt	<u>6,850,000</u>	<u>6,975,000</u>
Total Liabilities	<u>7,216,612</u>	<u>7,290,588</u>
Net Assets:		
Contributed Capital (Unrestricted)	4,976,561	5,076,401
Memberships (Temporarily Restricted)	615,115	588,164
Retained Earnings:		
Unrestricted	16,331,122	15,291,028
Temporarily Restricted	<u>273,793</u>	<u>312,048</u>
Total Retained Earnings	<u>16,604,915</u>	<u>15,603,076</u>
Total Net Assets	<u>22,196,591</u>	<u>21,267,641</u>
Total Liabilities and Net Assets	<u>\$ 29,413,203</u>	<u>\$ 28,558,229</u>

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Operating Revenues:		
Water and sewer sales	\$ 6,334,972	\$ 5,238,983
Water meter fees	252,527	52,889
Tie on fees	178,460	202,776
Total Operating Revenues	<u>6,765,959</u>	<u>5,494,648</u>
Operating Expenses:		
Distribution	3,756,577	2,944,814
Administration	363,116	361,945
Office	363,307	344,187
Total Operating Expenses	<u>4,483,000</u>	<u>3,650,946</u>
Income from Operations	<u>2,282,959</u>	<u>1,843,702</u>
Other Revenues (Expenses):		
Gain on sale of assets	15,400	4,500
Other income	259,098	70,637
Interest income	112,193	228,384
Interest expense	(461,065)	(467,410)
Amortization of bond issue costs	(17,704)	(17,704)
Depreciation expense	<u>(1,342,133)</u>	<u>(1,315,610)</u>
Total Other Revenues (Expenses)	<u>(1,434,211)</u>	<u>(1,497,203)</u>
Increase in Net Assets - Unrestricted Retained Earnings	<u>\$ 848,748</u>	<u>\$ 346,499</u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Contributed Capital (Unrestricted)	Memberships (Temporarily Restricted)	Retained Earnings		Total Net Assets
			Unrestricted	Temporarily Restricted	
Net assets, December 31, 2006	\$ 4,984,224	\$ 561,314	\$ 14,858,436	\$ 244,934	\$ 20,648,908
Increase in net assets - unrestricted retained earnings			346,499		346,499
Interest income earned on temporarily restricted cash			(18,263)	18,263	-
Transfers for debt service, net			(48,851)	48,851	-
Increase in members		26,850			26,850
Distribution system contributed from new developments	245,384				245,384
Amortization of contributed capital	(153,207)		153,207		-
Change in net assets	92,177	26,850	432,592	67,114	618,733
Net assets, December 31, 2007	5,076,401	588,164	15,291,028	312,048	21,267,641
Increase in net assets - unrestricted retained earnings			848,748		848,748
Interest income earned on temporarily restricted cash			(8,797)	8,797	-
Transfers for debt service, net			47,052	(47,052)	-
Increase in members		26,951			26,951
Distribution system contributed from new developments	53,251				53,251
Amortization of contributed capital	(153,091)		153,091		-
Change in net assets	(99,840)	26,951	1,040,094	(38,255)	928,950
Net assets, December 31, 2008	\$ 4,976,561	\$ 615,115	\$ 16,331,122	\$ 273,793	\$ 22,196,591

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Activities:		
Increase in net assets - unrestricted retained earnings	\$ 848,748	\$ 346,499
Adjustments to reconcile increase in net assets - unrestricted retained earnings to cash provided by operating activities:		
Depreciation & amortization	1,359,837	1,333,314
Gain on sale of assets	(15,400)	(4,500)
Increase (decrease) in working capital related to:		
Accounts receivable	(9,481)	(2,968)
Inventory	(18,860)	(43,983)
Accounts payable	43,643	7,709
Accrued expenses	2,381	(22,545)
Net cash provided by operating activities	<u>2,210,868</u>	<u>1,613,526</u>
Investing Activities:		
Acquisition of plant and equipment	(1,645,274)	(1,073,236)
Proceeds from sale of assets	15,400	4,500
Reimbursements from developers	53,251	245,384
Decrease in notes receivable	1,421	8,458
Decrease (increase) in restricted cash	38,255	(67,114)
Increase in investments in certificates of deposit	(3,691)	(5,314)
Decrease (increase) in investments in mutual funds	31,895	(7,974)
Net cash used in investing activities	<u>(1,508,743)</u>	<u>(895,296)</u>
Financing Activities:		
Retirement of bonds payable	(120,000)	(115,000)
Increase in memberships	26,951	26,850
Net cash used in financing activities	<u>(93,049)</u>	<u>(88,150)</u>
Net increase in cash	609,076	630,080
Cash and cash equivalents, at beginning of year	<u>4,458,737</u>	<u>3,828,657</u>
Cash and cash equivalents, at end of year	<u>\$ 5,067,813</u>	<u>\$ 4,458,737</u>
Supplemental disclosures:		
Cash paid for interest on debt	\$ 461,065	\$ 467,410

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

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1: Nature of Activities and Significant Accounting Policies

Nature of Activities

Bethesda Water Supply Corporation (the Corporation) has been in operation since 1964. The Corporation supplies water to customers in the rural area surrounding Burleson, Texas. These services are primarily provided by a system of wells and water lines, which have been installed and are operated by the Corporation. Sale of water is the principle source of income.

The Corporation is governed by a seven-person Board of Directors who are elected by the membership. The Board is responsible for the financial and managerial decisions of the Corporation, as well as compliance with laws and regulations.

Summary of Significant Accounting Policies

A summary of the Corporation's significant accounting policies consistently applied to the preparation of the accompanying financial statements follows:

Basis of Presentation

The Corporation utilizes the accrual basis of accounting, which conforms to generally accepted accounting principles in the United States of America.

The Corporation is also required to report information regarding its net assets according to the following three net asset classes: *unrestricted* which includes the operating funds expended in daily operations; *temporarily restricted* which includes amounts designated for memberships and amounts reserved in accordance with debt covenants (see Note 4); and *permanently restricted* which would be amounts restricted in perpetuity of which the Corporation has none.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments are reported at fair value. As of December 31, 2008 and 2007, the Corporation's investments consisted of certificates of deposit and mutual funds. For purposes of the cash flow statement, these investments are not considered to be cash equivalents.

Investment Policy

The Corporation's investment policy is to invest in quality assets that produce a reasonable rate of return and liquidity that may include U.S. government securities, collective or pooled funds, money market funds, certificates of deposit, commercial paper, and stocks with an average rating of "A".

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable arise from the sale of water and related services. Water meters with accounts receivable past due more than one month are locked until the past due amount is paid in full. Bad debts resulting from non-payment of accounts receivable are written off directly to income, and members are terminated from membership for non-payment.

Inventory

Inventory consists of fitting supplies, meters, pipe and other supply items and is stated at cost. Cost is determined substantially by the first-in, first-out method.

Fixed Assets

Fixed assets are recorded at cost and depreciated over their estimated useful lives. Assets acquired through gifts or donations are recorded at their estimated fair market value at the time of acquisition and depreciated in the same manner as purchased assets. Depreciation is charged as an expense against operations.

The estimated useful lives of the various classifications of assets are as follows:

Buildings	10-33 years
Distribution system	10-33 years
Machinery and equipment	5 years
Vehicles	3 years
Furniture and fixtures	5-10 years

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. In 2008 and 2007, depreciation expense was \$1,342,133 and \$1,315,610, respectively.

Amortization of Debt Issue Costs

The Corporation is amortizing the costs associated with the issuance of the *Revenue Improvement and Refunding Bonds Taxable Series 2002* over the term of the bonds on the straight-line basis. In 2008 and 2007, amortization expense amounted to \$17,704.

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 reported amounts of assets and liabilities, contingent assets and liabilities, and the amounts of revenue and expense of the period. Accordingly, actual results could differ from those estimates.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Federal Income Tax

The Corporation is exempt from Federal income tax under Internal Revenue Code Section 501(c)(12) and is not a private foundation.

Note 2: Cash and Cash Equivalents

At December 31, 2008 and 2007, the balance of the Corporation's deposits (cash, checking, money market, and savings accounts) amounted to \$5,067,813 and \$4,458,737, respectively.

Note 3: Investments

At December 31, 2008 and 2007, the balance of the Corporation's certificates of deposit amounted to \$320,261 and \$316,570, respectively. The certificates of deposit have interest rates ranging from 0.25% to 2.60% and mature from April 2009 through October 2009.

During 2008 and 2007, the Corporation invested in mutual funds. At December 31, 2008 and 2007, the amount invested in mutual funds was \$78,128 and \$110,023, respectively. The mutual funds had unrealized losses of \$35,359 and unrealized gains of \$4,502 in 2008 and 2007, respectively, and are included in *other income* on the Statements of Activities.

Note 4: Restricted Assets

The Corporation's restricted assets consist of investments in pooled money market accounts at TexStar as follows:

Interest and Sinking Fund was established for the payment of bonded indebtedness as required by debt covenants.

Construction Fund was established from proceeds received from the issuance of bonds for construction and improvements to the water distribution system.

Note 5: Accounts Receivable

The Corporation's accounts receivable consist of billings for water usage in the amount of \$368,620 and \$359,139 as of December 31, 2008 and 2007, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 6: Notes Receivable

The Corporation has notes receivable from members. The amount due from notes receivable from members at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Current portion	\$ 6,248	\$ 6,725
Non-current portion	3,439	4,383
	<u>\$ 9,687</u>	<u>\$ 11,108</u>

Note 7: Property, Plant and Equipment

A summary of changes in property, plant and equipment during the year ended December 31, 2008, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 999,273	\$ 65,450	\$	\$ 1,064,723
Buildings	264,417			264,417
Distribution system	35,953,392	1,497,698		37,451,090
Machinery and equipment	453,645	6,357		460,002
Vehicles	346,871	64,261	(66,805)	344,327
Furniture and fixtures	383,269			383,269
Construction in progress	346,194	357,702	(346,194)	357,702
	38,747,061	1,991,468	(412,999)	40,325,530
Less accumulated depreciation	(16,322,609)	(1,342,133)	66,805	(17,597,937)
	<u>\$ 22,424,452</u>	<u>\$ 649,335</u>	<u>\$ (346,194)</u>	<u>\$ 22,727,593</u>

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 8: Long-Term Debt

The *Revenue Improvement and Refunding Bonds Taxable Series 2002* were issued for the purpose of upgrading and/or expanding the Corporation's water distribution system and refinancing existing debt. The debt is collateralized by the water distribution system and revenues therefrom.

A summary of long-term debt for the year ended December 31, 2008, is as follows:

Date of Issue	Payment Dates	Interest Rates	Original Amount	Beginning Balance	Retirements	Ending Balance
Dec. 20, 2002	6/1 & 12/1	5.40%-6.70%	\$ 7,500,000	\$ 7,095,000	\$ 120,000	\$ 6,975,000

The 2002 bonds were issued in three series with the final maturity of December 1, 2032; however, the Corporation has the option of redeeming the bonds on December 1, 2012, as a whole or in part in principal amounts of \$5,000 or any integral multiple thereof plus accrued interest thereon to the date of redemption. Debt service requirements through maturity are as follows as of December 31, 2008:

Year ended December 31,	Principal	Interest	Total
2009	\$ 125,000	\$ 454,855	\$ 579,855
2010	135,000	448,105	583,105
2011	145,000	440,815	585,815
2012	150,000	432,985	582,985
2013	165,000	424,615	589,615
2014 to maturity	<u>6,255,000</u>	<u>4,955,400</u>	<u>11,210,400</u>
Totals	<u>\$ 6,975,000</u>	<u>\$ 7,156,775</u>	<u>\$ 14,131,775</u>

Note 9: Amortization of Contributed Capital

The Corporation has elected to amortize contributed capital over the estimated useful life of the plant and distribution system assets acquired for use by the Corporation through contribution from an outside source (i.e., residential development companies). This election is based on the same accounting principle used by a governmental enterprise fund to amortize contributed capital as a credit to retained earnings as an offset of depreciation expense on the above-mentioned assets. For the years ended December 31, 2008 and 2007, amortization of contributed capital amounted to \$153,091 and \$153,207, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 10: Net Assets

The Corporation's net assets are reported as either unrestricted or temporarily restricted as follows:

	2008	2007
Unrestricted Net Assets:		
Contributed capital	\$ 4,976,561	\$ 5,076,401
Retained earnings	16,331,122	15,291,028
Total Unrestricted Net Assets	<u>21,307,683</u>	<u>20,367,429</u>
Temporarily Restricted Net Assets:		
Memberships	615,115	588,164
Retained earnings (see Note 4)	273,793	312,048
Total Temporarily Restricted Net Assets	<u>888,908</u>	<u>900,212</u>
	<u>\$ 22,196,591</u>	<u>\$ 21,267,641</u>

Note 11: Retirement Plans

401(k) Retirement Plan

As of January 1, 2008, the Corporation established a 401(k) retirement plan for its employees. Employees are eligible to participate in the Plan after six months of service. In 2008, an employee may contribute up to a maximum of \$15,500 (with an additional catch-up contribution of \$5,000 for qualified individuals) to the Plan. The Corporation contributes to the Plan through matching contributions. Participants are vested in the Corporation's contributions for its matching portion in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's contribution to the Plan for the year ended December 31, 2008 was \$11,166.

Profit Sharing Plan

The Corporation also has a non-contributory employee profit sharing retirement plan. Employees are eligible to participate in Plan contributions on the first day of the Plan year after six months of service and vest in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's profit sharing contribution is discretionary and is not limited to current or accumulated earnings. The amount contributed to the profit sharing plan is calculated on eligible employees' compensation excluding overtime and bonuses. The Corporation's contribution to the profit sharing plan for the year ended December 31, 2008 and 2007 amounted to \$65,216 and \$56,910, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 12: Compensated Absences

Regular full time employees are allowed sick leave after 90 days of employment. Employees earn one day per ten weeks of continuous service with a maximum of five days. Sick leave not used during the year in which it accrues accumulates and is available for use in succeeding years. Unused sick leave is not compensatory upon separation from employment until after ten years of continuous employment. Compensatory sick leave schedule then commences as follows: 120 months of continued employment may be compensated 50% of accumulated sick leave increasing at 5% increments per additional 12 months of employment up to 90 days maximum.

The Corporation's employees earn vacation based on their years of service as follows: new employees earn one day of vacation leave for every five weeks worked from the date of hire to December 31st of their employment, employees with one to ten years of service earn 10 days of vacation leave per year, employees with over ten years of service earn 15 days of vacation leave per year, and employees with over 20 years of service earn 20 days per year. Each December 31st, an employee may be paid for up to 50% of the amount accrued from the prior year and any remaining vacation days are forfeited. Therefore, compensated absences are not accrued as a liability in the accompanying statement of financial position.

Note 13: Commitments and Contingencies

Water Purchase Contract

In October 1992, the Corporation entered into a contract with the City of Fort Worth for the purpose of providing for surface water purchases. The term of the contract is perpetual in nature. Under the terms of the contract, payments are based on consumption with annual rate adjustments effective each October 1st and payments are made monthly for the previous month's usage. The cost of water purchases amounted to \$1,832,429 and \$1,098,412 in 2008 and 2007, respectively.

Construction

Due to the continued residential growth in the Corporation's service area, several construction projects are in process or are in the planning stages.

Litigation

The Corporation is subject to claims and lawsuits arising principally in the normal course of operations. The Corporation maintains liability insurance coverage for these matters.

Note 14: Concentrations of Credit Risk

During the year ended December 31, 2008, the Corporation had cash balances in excess of FDIC coverage. As of December 31, 2008 and 2007, the reported amount of cash and cash equivalents in excess of FDIC coverage was \$4,435,129 and \$4,220,867, respectively.

Supplementary Schedules

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Distribution	Administration	Office	Total
Accounting and auditing fees	\$	\$ 11,200	\$	\$ 11,200
Advertising		4,826		4,826
Chemical analysis and testing	20,513			20,513
Communications	9,016	1,640	9,606	20,262
Contract billing			63,878	63,878
Contract labor	33,015			33,015
Customer notification			4,969	4,969
Dues and memberships		17,622		17,622
Filing fees			5,138	5,138
Health insurance	63,935	19,042	36,394	119,371
Insurance	65,799	2,921		68,720
Janitorial			4,148	4,148
Legal		14,050		14,050
Maintenance contracts			12,720	12,720
Meals and gatherings		10,626		10,626
Meters and settings	33,813			33,813
Minor tools	1,507			1,507
Miscellaneous expense		1,200	80	1,280
Payroll taxes	29,285	15,378	10,580	55,243
Postage and freight			9,175	9,175
Pre-employment & other	5,602		56	5,658
Regulatory fees		5,243		5,243
Repairs and maintenance	369,381		14,649	384,030
Retirement and profit-sharing plan	35,835	23,426	17,121	76,382
Safety gear and uniforms	9,707			9,707
Salaries and wages	384,555	201,564	150,083	736,202
SCADA	15,285			15,285
Supplies			14,155	14,155
Training	2,154	22,518	565	25,237
Transportation	78,719	7,721		86,440
Uncollectible accounts		4,139		4,139
Utilities	696,450		9,990	706,440
Water treatment	38,906			38,906
Wholesale sewer expense	30,671			30,671
Wholesale water purchased	1,832,429			1,832,429
	<u>\$ 3,756,577</u>	<u>\$ 363,116</u>	<u>\$ 363,307</u>	<u>\$ 4,483,000</u>

See independent auditor's report.

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Distribution	Administration	Office	Total
Accounting and auditing fees	\$	\$ 11,700	\$	\$ 11,700
Advertising		1,046		1,046
Chemical analysis and testing	22,661			22,661
Chemical and mechanical	222			222
Communications	6,748	2,059	8,544	17,351
Contract billing			27,707	27,707
Contract labor	26,785			26,785
Customer notification			7,116	7,116
Dues and memberships		17,197		17,197
Filing fees			1,528	1,528
Health insurance	95,470	28,963	49,767	174,200
Insurance	76,801	3,108		79,909
Janitorial			4,103	4,103
Legal		46,872		46,872
Maintenance contracts			8,676	8,676
Meals and gatherings		2,782		2,782
Meters and settings	46,487			46,487
Minor tools	3,013			3,013
Miscellaneous expense		960		960
Payroll taxes	30,463	13,936	11,795	56,194
Postage and freight			14,908	14,908
Pre-employment & other	1,486			1,486
Regulatory fees		5,250		5,250
Repairs and maintenance	391,546		15,324	406,870
Retirement plan	29,110	13,501	14,299	56,910
Safety gear and uniforms	9,037			9,037
Salaries and wages	361,015	180,832	147,319	689,166
SCADA	12,274			12,274
Supplies			21,136	21,136
Training	2,667	21,174	7,655	31,496
Transportation	65,974	6,648		72,622
Uncollectible accounts		5,917		5,917
Utilities	610,021		4,310	614,331
Water treatment	30,735			30,735
Wholesale sewer expense	23,887			23,887
Wholesale water purchased	1,098,412			1,098,412
	<u>\$ 2,944,814</u>	<u>\$ 361,945</u>	<u>\$ 344,187</u>	<u>\$ 3,650,946</u>

See independent auditor's report.

BETHESDA WATER SUPPLY CORPORATION

Audited Financial Statements

December 31, 2012 and 2011

Gilliam, Wharram & Co., P.C.
Certified Public Accountants

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BETHESDA WATER SUPPLY CORPORATION
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GILLIAM, WHARRAM & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

107 WESTMEADOW DR • P.O. BOX 118
CLEBURNE, TEXAS 76033 • (817) 641-2274
FAX (817) 641-2474

Independent Auditor's Report

Board of Directors
Bethesda Water Supply Corporation
Burleson, Texas

We have audited the accompanying financial statements of Bethesda Water Supply Corporation, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethesda Water Supply Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses on page 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilliam, Wharram & Co., P.C.

Gilliam, Wharram & Co., P.C.
March 1, 2013

Financial Statements

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 4,122,189	\$ 4,286,742
Investment in certificates of deposit	324,543	324,159
Accounts receivable (net)	414,071	392,243
Notes receivable	1,538	957
Inventory	128,201	92,896
Prepaid expenses	11,143	11,607
Total Current Assets	<u>5,001,685</u>	<u>5,108,604</u>
Restricted Assets:		
Interest and sinking fund	<u>276,549</u>	<u>276,158</u>
Total Restricted Assets	<u>276,549</u>	<u>276,158</u>
Property, Plant and Equipment:		
Property, plant and equipment, total	49,984,987	48,340,669
Less: Accumulated depreciation	<u>(23,234,860)</u>	<u>(21,789,281)</u>
Total Property, Plant and Equipment, net	<u>26,750,127</u>	<u>26,551,388</u>
Other Assets:		
Deferred debt issue costs, net of amortization	354,072	371,776
Deposits	<u>100</u>	<u>100</u>
Total Other Assets	<u>354,172</u>	<u>371,876</u>
Total Assets	<u><u>\$ 32,382,533</u></u>	<u><u>\$ 32,308,026</u></u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>LIABILITIES AND NET ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Accounts payable	\$ 195,926	\$ 146,855
Other accrued expenses	60,084	91,520
Current portion of long-term debt	<u>240,992</u>	<u>222,328</u>
Total Current Liabilities	<u>497,002</u>	<u>460,703</u>
Long-Term Debt:		
Bonds payable	6,420,000	6,570,000
Note payable	1,235,537	1,307,147
Less: Current portion of long-term debt	<u>(240,992)</u>	<u>(222,328)</u>
Total Long-Term Debt	<u>7,414,545</u>	<u>7,654,819</u>
Total Liabilities	<u>7,911,547</u>	<u>8,115,522</u>
Net Assets:		
Contributed Capital (Unrestricted)	4,583,111	4,658,327
Memberships (Temporarily Restricted)	672,070	660,020
Retained Earnings:		
Unrestricted	18,939,256	18,597,999
Temporarily Restricted	<u>276,549</u>	<u>276,158</u>
Total Retained Earnings	<u>19,215,805</u>	<u>18,874,157</u>
Total Net Assets	<u>24,470,986</u>	<u>24,192,504</u>
Total Liabilities and Net Assets	<u><u>\$ 32,382,533</u></u>	<u><u>\$ 32,308,026</u></u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Water and sewer sales	\$ 6,803,790	\$ 8,135,555
Water meter fees	314,758	309,297
Tie on fees	<u>95,500</u>	<u>89,440</u>
Total Operating Revenues	<u>7,214,048</u>	<u>8,534,292</u>
Operating Expenses:		
Distribution	4,261,440	4,715,023
Administration	398,040	423,975
Office	<u>460,241</u>	<u>444,939</u>
Total Operating Expenses	<u>5,119,721</u>	<u>5,583,937</u>
Income from Operations	<u>2,094,327</u>	<u>2,950,355</u>
Other Revenues (Expenses):		
Other income	100,255	165,632
Gain on sale of assets	7,815	9,000
Interest income	2,983	3,955
Interest expense	(497,147)	(509,039)
Amortization of bond issue costs	(17,704)	(17,704)
Depreciation expense	<u>(1,489,613)</u>	<u>(1,375,569)</u>
Total Other Revenues (Expenses)	<u>(1,893,411)</u>	<u>(1,723,725)</u>
Increase in Net Assets - Unrestricted Retained Earnings	<u><u>\$ 200,916</u></u>	<u><u>\$ 1,226,630</u></u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Contributed Capital (Unrestricted)	Memberships (Temporarily Restricted)	Retained Earnings		Total Net Assets
			Unrestricted	Temporarily Restricted	
Net assets, December 31, 2010	\$ 4,721,881	\$ 648,655	\$ 17,225,951	\$ 278,730	\$ 22,875,217
Increase in net assets - unrestricted retained earnings	-	-	1,226,630	-	1,226,630
Interest income earned on temporarily restricted cash	-	-	(413)	413	-
Release from restriction	-	-	2,985	(2,985)	-
Increase in members	-	11,365	-	-	11,365
Distribution system contributed from new developments	79,292	-	-	-	79,292
Amortization of contributed capital	(142,846)	-	142,846	-	-
Change in net assets	(63,554)	11,365	1,372,048	(2,572)	1,317,287
Net assets, December 31, 2011	4,658,327	660,020	18,597,999	276,158	24,192,504
Increase in net assets - unrestricted retained earnings	-	-	200,916	-	200,916
Interest income earned on temporarily restricted cash	-	-	(547)	547	-
Release from restriction	-	-	156	(156)	-
Increase in members	-	12,050	-	-	12,050
Distribution system contributed from new developments	65,516	-	-	-	65,516
Amortization of contributed capital	(140,732)	-	140,732	-	-
Change in net assets	(75,216)	12,050	341,257	391	278,482
Net assets, December 31, 2012	\$ 4,583,111	\$ 672,070	\$ 18,939,256	\$ 276,549	\$ 24,470,986

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Activities:		
Increase in net assets - unrestricted retained earnings	\$ 200,916	\$ 1,226,630
Adjustments to reconcile increase in net assets - unrestricted retained earnings to cash provided by operating activities:		
Depreciation & amortization	1,507,317	1,393,273
Gain on sale of assets	(7,815)	(9,000)
Increase (decrease) in working capital related to:		
Accounts receivable	(21,828)	15,754
Inventory	(35,305)	27,044
Prepaid expenses	464	697
Accounts payable	49,071	3,080
Accrued expenses	(31,436)	28,293
Net cash provided by operating activities	<u>1,661,384</u>	<u>2,685,771</u>
Investing Activities:		
Acquisition of plant and equipment	(1,693,637)	(2,179,719)
Proceeds from sale of assets	13,100	22,309
Reimbursements from developers	65,516	79,292
(Increase) decrease in notes receivable	(581)	2,855
(Increase) decrease in restricted cash	(391)	2,572
(Increase) decrease in investments in certificates of deposit	(384)	(563)
Net cash used in investing activities	<u>(1,616,377)</u>	<u>(2,073,254)</u>
Financing Activities:		
Retirement of bonds and note payable	(221,610)	(212,549)
Increase in memberships	12,050	11,365
Net cash used in financing activities	<u>(209,560)</u>	<u>(201,184)</u>
Net increase (decrease) in cash	(164,553)	411,333
Cash and cash equivalents, at beginning of year	<u>4,286,742</u>	<u>3,875,409</u>
Cash and cash equivalents, at end of year	<u>\$ 4,122,189</u>	<u>\$ 4,286,742</u>
Supplemental disclosures:		
Cash paid for interest on debt	\$ 497,147	\$ 509,039

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

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 1: Nature of Activities and Significant Accounting Policies

Nature of Activities

Bethesda Water Supply Corporation (the Corporation) has been in operation since 1964. The Corporation supplies water to customers in the rural area surrounding Burleson, Texas. These services are primarily provided by a system of wells and water lines, which have been installed and are operated by the Corporation. Sale of water is the principal source of income.

The Corporation is governed by a seven-person Board of Directors who are elected by the membership. The Board is responsible for the financial and managerial decisions of the Corporation, as well as compliance with laws and regulations.

Summary of Significant Accounting Policies

A summary of the Corporation's significant accounting policies consistently applied to the preparation of the accompanying financial statements follows:

Basis of Presentation

The Corporation utilizes the accrual basis of accounting, which conforms to generally accepted accounting principles in the United States of America.

The Corporation is also required to report information regarding its net assets according to the following three net asset classes: *unrestricted* which includes the operating funds expended in daily operations; *temporarily restricted* which includes amounts designated for memberships and amounts reserved in accordance with debt covenants (see Note 3); and *permanently restricted* which would be amounts restricted in perpetuity of which the Corporation has none.

Investments

Investments are reported at cost and are classified as investments to be held to maturity. The Corporation's investment policy is to invest in quality assets that produce a reasonable rate of return and liquidity that may include U.S. government securities, collective or pooled funds, money market funds, certificates of deposit, commercial paper, and stocks with an average rating of "A".

Accounts Receivable

Accounts receivable arise from the sale of water and related services. Water meters with accounts receivable past due more than one month are locked until the past due amount is paid in full. Bad debts resulting from non-payment of accounts receivable are written off directly to income, and members are terminated from membership for non-payment.

Inventory

Inventory consists of fitting supplies, meters, pipe and other supply items and is stated at cost. Cost is determined substantially by the first-in, first-out method.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fixed Assets

Fixed assets are recorded at cost and depreciation is provided by the straight-line method over their estimated useful lives. Assets acquired through gifts or donations are recorded at their estimated fair market value at the time of acquisition and depreciated in the same manner as purchased assets. Depreciation is charged as an expense against operations.

The estimated useful lives of the various classifications of assets are as follows:

Buildings	10-33 Years
Distribution system	10-33 Years
Machinery and equipment	5 Years
Vehicles	3 Years
Furniture and fixtures	5-10 Years

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. In 2012 and 2011, depreciation expense was \$1,489,613 and \$1,375,569, respectively.

Amortization of Debt Issue Costs

The Corporation is amortizing the costs associated with the issuance of the *Revenue Improvement and Refunding Bonds Taxable Series 2002* over the term of the bonds on the straight-line basis. In 2012 and 2011, amortization expense amounted to \$17,704 for both years.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The investments in certificates of deposits are not considered to be cash equivalents.

Use of Estimates

Management used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Federal Income Tax

The Corporation is exempt from Federal income tax under Internal Revenue Code Section 501(c)(12) and is not a private foundation.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 2: Cash and Cash Equivalents

At December 31, 2012 and 2011, the balance of the Corporation's deposits (cash, checking, money market, and savings accounts) amounted to \$4,122,189 and \$4,286,742, respectively.

Note 3: Investments

At December 31, 2012 and 2011, the Corporation's investments consist of the following:

	<u>2012</u>	<u>2011</u>
Certificates of deposit	\$ 324,543	\$ 324,159
Restricted asset:		
TexStar	<u>276,549</u>	<u>276,158</u>
	<u>\$ 601,092</u>	<u>\$ 600,317</u>

Certificates of Deposit

The certificates of deposit have interest rates ranging from 0.12% to 0.65% and mature from March 2013 through December 2013.

Restricted Assets

The Corporation's restricted assets consist of an investment in a public funds investment pool at TexStar as an *Interest and Sinking Fund* account, established for the payment of bonded indebtedness as required by debt covenants. The Corporation was in compliance with its debt covenant and investment policy as of December 31, 2012 and 2011.

Fair Value Measurements

The Fair Value Measurements and Disclosures topic of FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. This standard also establishes a hierarchy for grouping assets and liabilities, measured at fair value on a recurring basis, based upon the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 3: Investments (continued)

The following is a summary of the fair value measurements as of December 31, 2012, for the statement of financial position items that are required to be presented at fair value:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Certificates of deposit	\$ -	\$ 324,543	\$ -
TexStar	-	276,549	-

The following is a summary of the fair value measurements as of December 31, 2011, for the statement of financial position items that are required to be presented at fair value:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Certificates of deposit	\$ -	\$ 324,159	\$ -
TexStar	-	276,158	-

Note 4: Accounts Receivable

The Corporation's accounts receivable consist of billings for water usage as follows:

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 454,903	\$ 429,117
Allowance for uncollectible accounts	(40,832)	(36,874)
	<u>\$ 414,071</u>	<u>\$ 392,243</u>

Note 5: Notes Receivable

The Corporation has notes receivable from members. The amount due from notes receivable from members at December 31, 2012 and 2011 was \$1,538 and \$957, respectively. All amounts are due within one year.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 6: Property, Plant and Equipment

A summary of changes in property, plant and equipment during the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Retirements & Reclassifications	Ending Balance
Land	\$ 1,223,972	\$ 5,000	\$ -	\$ 1,228,972
Buildings	2,252,006	-	-	2,252,006
Distribution system	42,662,529	2,005,036	-	44,667,565
Machinery and equipment	662,544	-	-	662,544
Vehicles	478,273	42,649	(49,319)	471,603
Furniture and fixtures	433,711	-	-	433,711
Construction in progress	627,634	1,158,350	(1,517,398)	268,586
	48,340,669	3,211,035	(1,566,717)	49,984,987
Less accumulated depreciation	(21,789,281)	(1,489,613)	44,034	(23,234,860)
	<u>\$ 26,551,388</u>	<u>\$ 1,721,422</u>	<u>\$ (1,522,683)</u>	<u>\$ 26,750,127</u>

A summary of changes in property, plant and equipment during the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Retirements & Reclassifications	Ending Balance
Land	\$ 1,194,781	\$ 42,500	\$ (13,309)	\$ 1,223,972
Buildings	2,252,006	-	-	2,252,006
Distribution system	39,827,305	2,835,224	-	42,662,529
Machinery and equipment	532,679	129,865	-	662,544
Vehicles	485,983	67,908	(75,618)	478,273
Furniture and fixtures	433,711	-	-	433,711
Construction in progress	1,523,412	1,901,567	(2,797,345)	627,634
	46,249,877	4,977,064	(2,886,272)	48,340,669
Less accumulated depreciation	(20,489,330)	(1,375,569)	75,618	(21,789,281)
	<u>\$ 25,760,547</u>	<u>\$ 3,601,495</u>	<u>\$ (2,810,654)</u>	<u>\$ 26,551,388</u>

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 7: Long-Term Debt

The *Revenue Improvement and Refunding Bonds Taxable Series 2002* were issued for the purpose of upgrading and/or expanding the Corporation's water distribution system and refinancing existing debt. The debt is collateralized by the water distribution system and revenues therefrom.

The 2002 bonds were issued in three series with the final maturity of December 1, 2032; however, the Corporation has the option of redeeming the bonds on December 1, 2012, as a whole or in part in principal amounts of \$5,000 or any integral multiple thereof plus accrued interest thereon to the date of redemption.

On February 13, 2009, an interim construction note was entered into with a local financial institution in the amount of \$1,427,075 for the construction of a service complex building. The note has a term of fifteen years and nine months with an initial interest rate of 5%. The first nine months of the term require interest-only monthly payments, then monthly principal and interest payments of \$11,337. The interest rate adjusts every three years to the Wall Street Journal prime rate plus 1% with a floor of 5%. During 2010, the remaining available funds were drawn and monthly principal and interest payments began. The note is secured by 8.359 acres of land improved with a 3,464 square foot building, a 22,500 square foot building and a 4,800 square foot building with a net book value of \$2,172,961 and \$2,241,321, respectively, at December 31, 2012 and 2011.

A summary of long-term debt for the year ended December 31, 2012, is as follows:

Date of Issue	Payment Dates	Interest Rates	Original Amount	Beginning Balance	Additions	Retirements	Ending Balance
Dec. 20, 2002	6/1 & 12/1	5.40%-6.70%	\$ 7,500,000	\$ 6,570,000	\$ -	\$ 150,000	\$ 6,420,000
Feb. 23, 2009	10 th of the month	5.0%	1,427,075	1,307,147	-	71,610	1,235,537
Totals				<u>\$ 7,877,147</u>	<u>\$ -</u>	<u>\$ 221,610</u>	<u>\$ 7,655,537</u>

A summary of long-term debt for the year ended December 31, 2011, is as follows:

Date of Issue	Payment Dates	Interest Rates	Original Amount	Beginning Balance	Additions	Retirements	Ending Balance
Dec. 20, 2002	6/1 & 12/1	5.40%-6.70%	\$ 7,500,000	\$ 6,715,000	\$ -	\$ 145,000	\$ 6,570,000
Feb. 23, 2009	10 th of the month	5.0%	1,427,075	1,374,696	-	67,549	1,307,147
Totals				<u>\$ 6,866,627</u>	<u>\$ -</u>	<u>\$ 212,549</u>	<u>\$ 7,877,147</u>