

BAYLOR WATER SUPPLY CORPORATION

CCN AMENDMENT APPLICATION

ATTACHMENT PART "5-(H-VI)."

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Final  
AGREEMENT

This agreement and contract is entered into as of the 24 day of October, 1994, by and between the CITY OF SEYMDUR, TEXAS, hereinafter referred to as "City," and the BAYLOR WATER SUPPLY CORPORATION, hereinafter referred to as "Corporation."

Recitals:

A. Corporation is organized and established under the provisions of the laws of the State of Texas. One of the duties of Corporation is the construction and operation of a water treatment and distribution system serving water users within the certified area designated in the Certificate of Convenience and Necessity, now on file in the office of Corporation and with the Texas Natural Resources Conservation Commission.

B. Corporation, which owns a sufficient supply of raw water to accomplish its purposes, requires treatment of said raw water.

C. City also has a duty to construct and operate a water treatment and distribution system serving water users both inside and outside of the corporate limits of City, and to accomplish this purpose it is City's intention to construct a water treatment facility on land owned by City which is in close proximity to Corporation's source of raw water.

D. The governing bodies of City and Corporation have concluded that it is in the best interest of both City and Corporation that the water treatment facility to be built by City be of sufficient capacity to treat not only the water used by City for resale to its customers, but also to treat the water of Corporation to be used for resale to its customers.

E. The parties hereto have, therefore, entered into this agreement in the best interest of the parties and for the consideration hereinbelow provided.

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1.

City agrees to issue bonds or certificates of obligation, or to seek alternative funding, for the purpose of constructing, on land owned by City, a water treatment facility sufficient in size to treat raw water to be used by City and Corporation for resale to their respective users. In the furtherance of the construction of said water treatment facility, City will select an engineering firm to study the construction of said water treatment facility and to manage the construction of said facility. City agrees to construct said water treatment facility in accordance with plans presented by said engineers. Further, City agrees to pay all costs associated with the construction, project management, and all other associated costs of said construction.

2.

When said water treatment facility is constructed and operational, City agrees to treat raw water furnished by Corporation to the water treatment facility and to deliver said treated water to Corporation at a delivery point designated by City. Corporation agrees to furnish said supply of raw water to the water treatment facility at Corporation's sole cost and expense. The water to be furnished by City to Corporation is agreed to be potable, treated water, which meets applicable purity standards imposed upon cities by applicable regulatory authorities. The water to be furnished by City to Corporation will be furnished at a minimum pressure of 40 psi. If a greater pressure at the point of delivery is required by Corporation, the cost of providing such greater pressure shall be borne by Corporation. Emergency failures of pressure or supply due to main supply line breaks, power failures, flood, fire,

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and use of water to fight fires, earthquakes, or other catastrophes will excuse the City from this provision for such reasonable period of time as may be necessary to restore service.

3.

Corporation agrees to purchase, at the designated delivery point, all water required by Corporation during the period of this agreement for its own use and for the distribution of said treated water to the customers served by Corporation's distribution system. All costs of distribution of said water to its users will be borne by Corporation.

4.

City will furnish, install, operate, and maintain necessary metering equipment to meter the flow of City's and Corporation's water into and from the water treatment facility. Corporation shall have access to the metering equipment at all reasonable times but reading, calibration, and adjustment to said metering equipment will be done only by City. The metering equipment shall be calibrated by City, or its representatives, when requested by Corporation, but not more than one time per year unless authorized by City. A certificate of such calibration shall be furnished by City to Corporation. A meter registering plus or minus 2% of accuracy shall be deemed accurate. The metering equipment shall be read on a regular basis and an appropriate official of Corporation at all reasonable times shall have access to the metering equipment for the purpose of verifying its readings.

5.

Corporation will pay its proportionate share of the operational and maintenance costs of the water treatment facility, plus 10% of the apportioned share, for management and administrative costs, based upon its proportionate

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share of treated water consumption, but in no event shall Corporation's share of the fixed cost of operation of the water treatment facility be less than 25% than the total of those costs (not including Corporation's apportioned share of the management and administrative costs as hereinabove provided). The fixed operational and maintenance costs of the water treatment facility shall be defined so as to include both principal and interest payments on any debt incurred by City to either construct, renovate or repair said water treatment facility (but shall not include any costs for depreciation), labor costs, the cost of repairs, and the cost of any maintenance. Corporation will pay its proportionate share of the variable operational costs of the water treatment facility, plus 10% of the apportioned share for management and administrative costs, based upon its proportionate share of treated water consumption. Variable costs shall include, but shall not be limited to, chemical costs and plant electrical expense. In event Corporation unilaterally cancels or terminates this agreement prior to the termination date hereinbelow provided in paragraph 11, Corporation agrees to pay 25% of all expenses associated with the payment of any remaining balance of any indebtedness, including principal and interest incurred by City for the construction of said water treatment facility until such time as said indebtedness is paid in full. Corporation and City will each pay their respective electric costs for pumping water both to and from the water treatment facility.

If, during the term of this contract, either party hereto wishes, for their benefit, to expand or enlarge the size of the water treatment facility, that party will be solely responsible for all construction costs and costs associated with said construction incurred to enlarge said water treatment facility.

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6.

The proportionate share of costs to be paid by Corporation will be calculated by City on a monthly basis, said proration to be determined by dividing the volume of treated water purchased by Corporation by the total volume of treated water produced, said calculation to be made on or before the last day of each month, and paid by Corporation to City on or before the 10th day of the following month.

7.

In the event the amount of raw water supplied by Corporation to the water treatment facility exceeds treated water taken by Corporation, after adjustment for reasonable loss and usage in the water treatment facility, City will pay Corporation for such excess water the sum of an amount per 1,000 gallons of excess water equal to Corporation's average purchase price of raw water. Likewise, in the event the amount of raw water supplied by Corporation to said water treatment facility, after adjustment for reasonable loss and usage in the water treatment facility, is less than treated water taken by Corporation, Corporation will pay City for such water deficiency an amount per 1,000 gallons equal to Corporation's cost of raw water. Calculations concerning water provided and water used will be made on a quarterly basis and billed and paid accordingly.

8.

The maximum amount of water Corporation may take from the water treatment facility shall not exceed 625,000 gallons per day, or 25% of the plant capacity, whichever is greater, unless a greater amount is approved in writing by City, and it is hereby agreed that Corporation, at its option, may take said amount of water.

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9.

In the event any metering equipment fails to register for any period, the amount of water taken by Corporation during such period shall be deemed to be the amount of water taken in the corresponding period immediately prior to the failure, based upon existing records, unless City and Corporation shall agree in writing upon a different amount.

10.

Prior to the execution of this agreement, Corporation shall certify to City that it has received all applicable permits and approval necessary from the Texas Natural Resources Conservation Commission, or any other applicable regulatory agency and, by the execution of this agreement, each party agrees to abide by all rules and regulations applicable to it and to hold the other party harmless from any damages and costs resulting from failure to abide by all applicable rules and regulations.

11.

This contract shall extend and be in effect for twenty-five (25) years from the date hereof. At the expiration of the term of this contract, it may be renewed for such term or terms as may be agreed upon by City and Corporation. City agrees that it shall not unreasonably refuse to allow Corporation to renew this contract.

12.

This contract shall not be assignable without the written approval of the other party.

13.

The parties hereto shall not discriminate against any employee or applicant for employment or service because of race, religion, color, gender, national origin, age, or disability.

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14.

City will at all times operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish Corporation with quantities of water required by Corporation. Temporary or partial failures to deliver water shall be remedied by City within a reasonable time. In the event of an extended shortage of water, or if the supply of water available to City is otherwise diminished over an extended period of time, the supply of water to Corporation's consumers shall be reduced or diminished in the same ratio or proportion as the supply to City's customers is reduced or diminished. Should the City Council of the City of Seymour adopt water rationing upon its customers due to such extended shortage of water, Corporation agrees to adopt identical rationing upon Corporation's customers; however, any water rationing adopted by City due solely to any distribution problem of City, shall not be required to be adopted by Corporation.

15.

It is expressly intended and understood that an independent contractor relationship is created under this contract. Corporation and City covenant to indemnify and hold each other harmless with respect to their own agents, servants, and employees regarding any asserted liability for any claim for damages or injuries to persons or property arising out of or incident to the ownership or operation by the respective parties pursuant to the terms of this contract.

16.

Changes in rate setting principles provided herein may be made by mutual agreement at any time and shall be considered at least at the end of every two-year period. Any increase or decrease in rates shall be based on a demon-

strable increase or decrease in the cost of performance hereunder but such cost shall not include increased capitalization of the remainder of City's system (other than this treatment plant).

17.

This contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this state and City and Corporation will collaborate in obtaining such permits, certificates, or the like as may be required to comply herewith.

18.

In the event the construction of the water supply distribution system by Corporation is being financed by a loan insured by and/or a grant from the United States of America, acting through Farmers Home Administration, of the United States Department of Agriculture, the provisions hereof pertaining to the undertakings of Corporation are conditioned upon the approval in writing of the State Director of Farmers Home Administration.

19.

In the event of any occurrence rendering Corporation incapable of performing under this contract, any successor of Corporation, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of Corporation hereunder.

20.

If any of the provisions of this contract shall be invalid or unenforceable, same shall not invalidate or affect the validity and enforceability of any other provision, which provisions shall remain in force and effect.

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21.

This contract constitutes the sole and only agreement of the parties and supersedes any prior understanding or written or oral agreements between the parties concerning the matters contained herein. Any modification of this contract shall be in writing and shall be signed by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, each cause this contract to be executed in counterparts, each of which shall constitute an original.

CITY OF SEYMOUR, TEXAS

By Dick Wirz, Mayor

ATTEST:

Judy Gilbert, City Secretary

BAYLOR WATER SUPPLY CORPORATION

By Gerald W. Jeske, President

ATTEST:

Secretary

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**NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY**

**WATER SUPPLY CONTRACT**

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THE STATE OF TEXAS            §  
  §  
THE COUNTY OF KNOX           §

THIS CONTRACT (the "Contract") made and entered into as of this the 8<sup>th</sup> day of July, 2013, by and between the North Central Texas Municipal Water Authority, hereinafter called "NCTMWA", a conservation and reclamation district created under Article 16, Section 59, of the Texas Constitution, and the Baylor Water Supply Corporation, hereinafter called "Customer".

WITNESSETH:

WHEREAS, NCTMWA and Customer are authorized to enter into this Contract pursuant to NCTMWA's Act and other applicable State laws; and,

WHEREAS, Customer is desirous of obtaining an adequate and dependable water supply; and

WHEREAS, NCTMWA owns and operates a water supply distribution system; and

WHEREAS, INSERT; and

WHEREAS, INSERT; and

WHEREAS, INSERT.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NCTMWA agrees to furnish water, and Customer agrees to pay for water, upon the terms and conditions and for the consideration hereinafter set forth, to wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (a) "Annual Payment" means the amount of money to be paid to NCTMWA by Customer during each Annual Payment period;
- (b) "Annual Payment Period" means NCTMWA's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve (12) consecutive month period fixed by NCTMWA;
- (c) "Contract Date" means the effective date of this Contract as executed by both parties;
- (d) "Customer" means the Baylor Water Supply Corporation;

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- (e) "Customer City or Customer Cities" means any customer other than the Member Cities with which NCTMWA contracts with to furnish water;
- (f) "NCTMWA" means the North Central Texas Municipal Water Authority as defined in the preamble to this Contract;
- (g) "Member City or Member Cities" means the Cities of Goree, Knox City, Munday and Haskell;
- (h) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period;
- (i) "System" means, collectively, the existing system and the future improvements and water of NCTMWA included as part of the System under the Regional Contract for projects, water storage, treatment, transmission and supply, including all dams, reservoirs, and other properties or interests therein wherever located. Said terms do not include any of NCTMWA's facilities that provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do not include any facilities acquired or constructed by NCTMWA with the proceeds from the issuance of "Special Facilities Bonds", which are payable from any source, contract, or revenues whatsoever, other than revenues from the System; and,
- (j) "Water Year" means the period of October 1 of each calendar year through September 30 of the next following calendar year, or such other twelve (12) month period designated by NCTMWA to all Member Cities and customers.

Section 2. QUANTITY. NCTMWA agrees to sell and to deliver potable water under this Contract to Customer at its Point of Delivery as described in Section 5 hereof, and Customer agrees to take at its Point of Delivery all water required for use by Customer during the term of this Contract, including all potable water for Customer's own use and for distribution to all customers served by Customer's water distribution system, or within Customer's existing Texas Commission on Environmental Quality ("TCEQ") certificated retail service area. It is specifically provided, however, that after the Contract Date, unless required to do otherwise by the TCEQ or a court of competent jurisdiction, Customer shall not enter into, renew, or amend with regard to volume of water to be supplied, any agreement to provide wholesale or retail potable water for use outside its boundaries, its extraterritorial jurisdiction, or its certificated retail service area unless each such agreement is approved by NCTMWA (which approval shall not be unreasonably withheld unless the projected additional volume affects NCTMWA's ability to provide service to others or conflicts with law or NCTMWA policy). Customer shall not become a party to any contract for the sale of potable water which would violate or be inconsistent with the provisions of this Contract. NCTMWA will use its best efforts to furnish and remain in a position to furnish potable water sufficient for all reasonable potable water requirements of Customer, but its obligation shall be limited to the amount of potable water available to it from the System during routine operation.

The maximum volume allowed shall be that volume capable of being supplied by the routine operation of NCTMWA's System utilizing the meter and meter sizes as described in Section 5, POINT(S) OF DELIVERY, at the defined Point of Delivery. In no event shall the

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maximum volume exceed 100 gallons of water per minute without the written approval of NCTMWA.

Section 3. LIMITATION ON SUPPLY. Customer understands that NCTMWA has issued tax exempt bonds for certain projects associated with the system, said action of which may limit the volume of water that Customer may take until such time as Customer has converted its legal status from a Water Supply Corporation to a Special Utility District. In that regard, Customer agrees that NCTMWA may, with written notice, curtail Customer from taking water in excess of the amount specified herein, which in combination with the NCTMWA's existing customers, may impact NCTMWA's existing or future tax exempt bonds. Moreover, Customer agrees that, within 180 days it shall prepare and file all necessary applications as may be required to convert its legal status, and shall diligently prosecute same. Upon conversion, the Parties shall amend this Agreement to remove the limitation on the volume of water that Customer may take.

Section 4. OTHER CONTRACTS. NCTMWA reserves the right to supply potable water from the System to additional parties as determined by the Board of Directors of NCTMWA.

Section 5. QUALITY. The water to be delivered by NCTMWA and received by Customer shall be potable water. Customer has satisfied itself that such water will be suitable for its needs, but NCTMWA is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. NCTMWA and Customer shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which water is obtained.

Section 6. POINT(S) OF DELIVERY. The Point of Delivery for Customer shall be a six-inch (6) meter and a six-inch (6) tap located at NCTMWA's Sixteen-inch (16) pipeline near the NCTMWA water treatment plant. Customer shall install a double check valve at the meter connection location for backflow protection. Also customer shall, in the future, install an air gap connection near the intersection of Baylor County Roads 465 and 466. Customer shall construct, maintain, and operate, at its own cost and expense, all facilities and equipment necessary to receive and take all potable water delivered to it under this Contract. All facilities and equipment must be inspected and approved by NCTMWA and any construction from NCTMWA's pipeline through the air gap connection must meet NCTMWA standard specifications. No change in the type or size of meters, or size of the tap, shall be allowed unless this Contract has been amended as set forth in Section 10, MODIFICATION.

Section 7. MEASURING EQUIPMENT. Customer shall furnish, and install at its own expense at the Point of Delivery the necessary rate of flow equipment, of a standard type approved by NCTMWA, for measuring properly the quantity of potable water delivered under this Contract and such meter and other equipment so installed shall become the property of NCTMWA. Customer shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be accomplished only by the employees or agents of NCTMWA. For the purpose of this Contract, the original record or reading of the meter shall be the journal or other record book maintained by NCTMWA in its office in which the records of the employees or agents of NCTMWA who take the reading may be transcribed. Upon written request of Customer, NCTMWA will provide a copy of such journal or record book, or permit it to have access to the same in the office of NCTMWA during reasonable business hours.

Not more than once in any twelve (12) month time period, NCTMWA shall test its meter if requested in writing by Customer to do so, in the presence of a representative of Customer, and

the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated by Customer in the presence of a representative of NCTMWA and the parties shall jointly observe any adjustment, if necessary. If Customer shall in writing request NCTMWA to calibrate its meter, then NCTMWA shall give Customer notice of the time when any such calibration is to be made and if a representative of Customer is not present at the time set, NCTMWA may proceed with calibration and adjustment in the absence of any representative of Customer.

If either party at any time observes a variation between the delivery meter and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. Each party shall give the other party at least forty-eight (48) hours notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Customer may, at its option and its own expense, install and operate a check meter to check each meter installed by NCTMWA, the measurement of water for the purpose of this Contract shall be solely by NCTMWA's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of NCTMWA, but the reading, calibration and adjustment thereof shall be made only by Customer except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by NCTMWA with like effect as if such check meter or meters had been furnished or installed by NCTMWA.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for potable water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICE AND TERMS. The service to be performed under this Contract by NCTMWA consists of the readiness of NCTMWA to deliver to Customer upon its demand, water in accordance with the conditions, limitations and provisions of this Contract.

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In return for such service Customer agrees to compensate NCTMWA by payment of certain minimum annual sums of money, for each of which said sums NCTMWA agrees, if required by Customer, to deliver all, or so much thereof as Customer may desire, of a certain corresponding volume of water, as follows:

(a) For the First Annual Payment Period beginning with the next first day of October after the first delivery of water to Customer, Customer will take or pay for 250,000 gallons per month at a rate of \$2.70 per 1,000 gallons. Any water delivered in excess of the monthly maximum of 500,000 gallons will be purchased at 150% of the contract rate above. The maximum rate of delivery shall not exceed 2.5 times the daily average of water supplied to Customer hereunder, which is consistent with the capabilities and abilities of NCTMWA facilities, and it is understood that NCTMWA may from time to time adjust the maximum rate of delivery on an equitable and uniform basis to all Customer Cities. If potable water must be rationed, such rationing shall, within the limits permitted by law, be accomplished by NCTMWA on an equal basis of the relative actual total amount of all potable water taken by each Customer City, respectively, during the last preceding Annual Payment Period in which rationing among said customers was not necessary.

(b) The rates set forth in Section 2 and Section 8 hereof shall be reviewed at the end of the first full Annual Payment Period of service after the first delivery of water to Customer, and each year thereafter, and the rate per 1,000 gallons, and the maximum rate of delivery, shall each be re-determined by the Board of Directors of NCTMWA at that time in the same manner as applied to NCTMWA Member Cities.

(c) Payment of the minimum service charge listed in Section 8(a) above shall be made by Customer to NCTMWA in the specified monthly installments, each of which shall be due and payable on or before the 10<sup>th</sup> day of the month following the service. Water taken in excess of the minimum monthly volume will be compensated in accordance with the appropriate rate, and any increase in the total minimum annual volume actually taken each Water Year shall be adjusted and prorated accordingly the consecutive Water Year.

(d) Liability for making payments, as herein set forth, shall commence on the date of the first tender of delivery of water to Customer by NCTMWA at the Point of Delivery.

(e) In the event that Customer shall fail to make any such monthly payment or annual payment within the time herein in this section specified, interest on such amount shall accrue at the rate of ten percent (10%) per annum from the date such payment becomes due until paid in full with the interest as herein specified. In the event such payment is not made within thirty (30) days from the date such payment becomes due, NCTMWA may at its option discontinue delivery of water to Customer until the amount due NCTMWA is paid in full with interest as herein specified.

(f) It is agreed by Customer and NCTMWA that Section 10(a) will be amended to read Customer will take or pay for 2,000,000 gallons per month at a rate of \$2.70 per 1,000 gallons. Any water delivered in excess of the monthly maximum of 4,000,000 gallons will be purchased at 150% of the contract rate above. This amendment will take effect upon Customer completing conversion of its legal status to Special Utility District and petition by customer to the Board of Directors of NCTMWA to enact the terms in this amendment.

Section 10. TERM OF CONTRACT. This Contract shall continue in force and effect for a period of forty (40) years from the date of this Contract.

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Section 11. MODIFICATION. This Contract may be changed or modified only by written agreement of the parties and only after having obtained approval from the governing bodies of both NCTMWA and Customer. No change or modification shall be made to this Contract which will affect adversely the prompt payment when due of all monies required to be paid by Customer under the terms of this Contract.

Section 12. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of Customer to make the payments required under Section 8 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 13. INSURANCE. NCTMWA agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance for purposes and in amounts which, as determined by NCTMWA, ordinarily would be carried by a privately-owned utility company owning and operating such facilities, except that NCTMWA shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of NCTMWA's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute just and reasonable operation and maintenance expense. The insurance coverage referenced herein does not extend to any facility owned by Customer.

Section 14. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State Laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum, having jurisdiction.

Section 15. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the

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purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to NCTMWA, to:

General Manager  
North Central Texas Municipal Water Authority  
P.O. Box 36  
Munday, Texas 76371

If to Customer, to:

General Manager  
Baylor Water Supply Corporation  
P.O. Box 426  
Seymour, Texas 76380

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other parties hereto.

Section 16. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 17. VENUE. All amounts due under this Contract including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of NCTMWA are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract.

Section 18. OPERATING CONDITIONS AND EXPENSES.

(a) Operation and Maintenance of System. NCTMWA will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense.

(b) Title to Water; Indemnification. Title to all water supplied to Customer shall be in NCTMWA up to the Point of Delivery, at which point title shall pass to Customer. NCTMWA and Customer shall save and hold each other harmless from all claims, demands, and causes of action, which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. As between the parties, Customer shall have the first

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UTILITIES & DISTRICTS  
SECTION

right to use all effluent produced from any wastewater treatment plant that treats the wastewater resulting from the use of the water made available under this Contract for direct reuse, but solely for its own purposes. To the extent that effluent produced by a wastewater treatment plant that treats the wastewater resulting from the use of water made available under this Contract is discharged to water courses of the State, the right of Customer to reuse such effluent produced from such wastewater treatment is terminated, and NCTMWA shall have the right, as between the parties, pursuant to any necessary authorization of the State, to indirectly reuse said effluent. Customer shall ensure via any wholesale contract with a subsequent customer, to maintain NCTMWA's right to indirectly reuse treated effluent, the underlying source of which is water from NCTMWA made available under this Contract.

(c) Operating Expenses of Customer. Customer represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its system, as defined in Section 1502.056, Texas Government Code, and that all such payments will be made from the revenues of its system. Customer represents and has determined that the potable water supply to be obtained from the System is absolutely necessary and essential to the present and future operation of its water system and is the only available and adequate source of supply of potable water. Accordingly, all payments required by this Contract to be made by Customer shall constitute reasonable and necessary operating expense of its respective system as described above, with the effect that the obligation to make such payments from revenues of such systems shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by Customer.

(d) Customer's Rate for Waterworks System. Customer agrees throughout the term of this Contract to continuously operate and maintain its waterworks system, and to fix and collect such rates and charges for water services to be supplied by its waterworks system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding and to file appropriate financial reports related to the Customer's system including annual audits.

(e) Equity. Customer acknowledges that it will accrue no equity or any other interest in the System, or any other assets of NCTMWA as a result of payment or other performance pursuant to this Contract.

Section 19. WATER CONSERVATION. Customer agrees to adopt, implement, and enforce any and all ordinances and policies related to water conservation and drought management as required by the Texas Water Code, rules of the TCEQ and/or as may be adopted by the Board of Directors of NCTMWA. NCTMWA's obligations pursuant to this Contract shall be subject to Customer preparing and implementing a water conservation plan or water conservation measures, as well as implementing any water conservation plans and drought contingency plans adopted by NCTMWA and required or approved by the TCEQ, the Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Contract, Customer shall submit its water conservation plan or water conservation measures, and drought contingency plan, to NCTMWA for review and approval, and Customer agrees to amend its water conservation plan or water conservation measures, and drought contingency plan as requested by NCTMWA in order to comply with requirements of NCTMWA's water conservation plan and drought contingency plan, program and/or rules.

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SECTION 11

NCTMWA has adopted a Water Conservation Plan and a Drought Contingency Plan, and may amend both from time to time. If Customer fails to implement NCTMWA's and its own drought contingency plan when trigger conditions occur, NCTMWA may implement rationing as well as enforce any contractual, statutory, or common law remedies available. The amount of water that is provided pursuant to this Contract when Customer is not in compliance with NCTMWA's Water Conservation Plan and Drought Contingency Plan will be reduced to the amount estimated as necessary to satisfy Customer's demand if Customer was operating in compliance with both NCTMWA's and Customer's drought contingency plans.

If NCTMWA authorizes Customer to resell water from the System pursuant to the conditions included herein, Customer shall require through a contract condition that any successive user(s) of water from the System must implement water conservation measures that comply with the NCTMWA and Customer's water conservation plans, programs, and/or rules.

Section 20. DEMAND ASSESSMENT. The meter size, location and any quantity set forth in this contract are intended to meet the water needs of Customer. The needs of Customer are independently determined by Customer, and NCTMWA has conducted no independent evaluation of the Customer's water system.

Section 21. SOLE AGREEMENT. This Contract constitutes the sole and only agreement of Customer and NCTMWA and supersedes any prior understanding or oral or written agreements between Customer and NCTMWA with respect to the subject matter of this Contract, including any oral or written agreement with NCTMWA that Customer may have obtained by assignment.

Section 22. NO THIRD PARTY BENEFICIARIES. This Contract shall inure only to the benefit of the parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Contract. Each party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and NCTMWA shall not be construed to be responsible for Customer's contracts or commitments by virtue of this Contract or any provision contained herein.

Section 23. REMEDIES UPON DEFAULT. It is not intended hereby to specify an exclusive remedy for any default, but all such other remedies, other than termination, existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that NCTMWA's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, NCTMWA agrees, in the event of any default on its part, that each Customer shall have available to any legal or equitable remedies, other than termination, which may also be available. Recognizing that failure in the performance of any Customer's obligations hereunder could not be adequately compensated in money damages alone, each Customer agrees in the event of any default on its part that NCTMWA shall have available to it any legal or equitable remedies, which may also be available. No waiver or waivers of any breach or default, or any breaches or defaults, by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 24. ATTORNEYS' FEES. In the event that NCTMWA or Customer brings legal action to enforce the terms of this Contract, the prevailing party shall be entitled to its reasonable attorneys' fees.

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JUL 11 2013

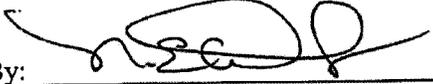
UTILITIES

Section 25. VIOLATION OF CONTRACT. If Customer does any of the following, Customer shall be liable and owe to NCTMWA a fee of \$1,000 per violation per month that the violation continues: (1) Fails to comply with NCTMWA's Water Conservation/Drought Contingency Plan; and/or (2) Sells water in violation of this Contract.

Section 26. INDEMNITY. To the extent permitted by law, Customer agrees to indemnify, hold harmless, and defend NCTMWA and its officers, agents, and employees from and against all liability for any and all claims, liens, suits, demands and/or actions for damages, injuries to persons (including death), property damage (including loss of use), and expense, including court costs, attorneys' fees, and other reasonable costs occasioned in connection with the transportation, delivery and disposal of said water while title to the water remains with Customer.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

**BAYLOR WATER SUPPLY CORPORATION**

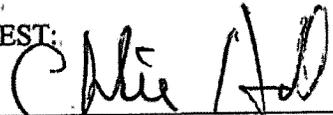
By: 

July 8, 2013

N.E. Deweber, President

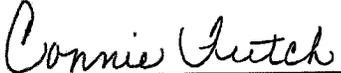
Date

ATTEST:

  
Charlie Hall, Secretary

STATE OF TEXAS           §  
  §  
COUNTY OF BAYLOR       §

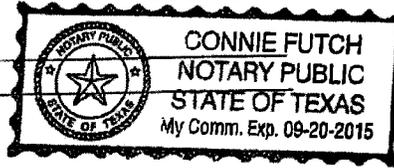
This instrument was acknowledged before me on this 8<sup>th</sup> day of July, 2013, by N.E. Deweber, Charlie Hall of BAYLOR WATER SUPPLY CORPORATION, a corporation of the State of Texas, on behalf of said corporation.

  
Notary Public, State of Texas  
Printed Name of Notary: Connie Futch

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JAN 16 2014

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SECTION

My Commission Expires:



NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

By: Leon Burkham 7-9-13  
Leon Burkham, President Date

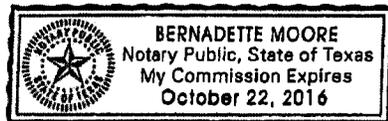
ATTEST:  
George Oustad  
George Oustad, Secretary

STATE OF TEXAS §  
COUNTY OF KNOX §

This instrument was acknowledged before me on this 9th day of July, 2013, by Leon Burkham, President of North Central Texas Municipal Water Authority, a conservation and reclamation district and political subdivision of the State of Texas, on behalf of said conservation and reclamation district.

Bernadette Moore  
Notary Public, State of Texas  
Printed Name of Notary:

Bernadette Moore  
My Commission Expires: 10-22-16



11-22  
**FILED FOR RECORD**  
11th day of July 2013  
At 2:35 o'clock P.M.  
CHRIS JAKUBICEK  
Clerk County Court  
Baylor County, Texas  
By Deputy [Signature]

BAYLOR WATER SUPPLY CORPORATION

CCN AMENDMENT APPLICATION

ATTACHMENT PART "5-1"

51.

Due to existing facilities in the vicinity of the proposed service areas, Baylor WSC will be able to provide adequate service to the proposed areas. The current and projected population density in these areas is very sparse and there are no indications that this will be changing. The land use of the requested area is generally agricultural with no industrial activity. So, it is expected that the proposed service in these areas will be for single family residences and water taps for livestock.

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BAYLOR WATER SUPPLY CORPORATION

CCN AMENDMENT APPLICATION

ATTACHMENT PART "6-B"

REGISTERED  
JAN 10 2004  
UTILITIES & DR.  
SECRET

BAYLOR WATER SUPPLY CORPORATION  
210 South Main Street~~~P. O. Box 426  
Seymour, Texas 76380  
940-888-3800 (voice) 940-889-4048 (fax)  
[baylorwater@srcaccess.net](mailto:baylorwater@srcaccess.net)

October 22, 2013

TCEQ Public Drinking Water  
Section MC 155  
P. O. Box 13087  
Austin, Texas 78711

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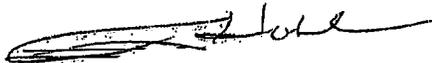
Re: Rate Increase Notice

Dear Sir or Madam:

Please be advised that the Board of Directors have voted to increase rates. This increase will begin with statement received on or after December 1, 2013. The adjustment rates to the Tariff are detailed in Section G, Number 6. The current rates are indicated with a strike through below. The new rates are printed next to the old rates. This information is attached.

If you have any questions concerning this matter, please do not hesitate to contact our office at 940-888-3800.

Thank you.



Tommy Holub  
Manager  
TH/clf

**Section G. #6: Minimum Monthly Charges**—The monthly charge for metered water service, including allowable gallonage, is based on demand by meter size. Each charge is assessed based on the number of 5/8" x 3/4" meters (as per American Water Works Association maximum continuous flow specifications) equivalent to the size indicated and is used as a base multiplier for the minimum monthly charge and allowable gallonage. Rates, equivalents, and allowable gallonages are as follows:

Meter size:	5/8" x 3/4" Meter Equivalents	Allowable Gallonage	Monthly Rate	
5/8" x 3/4"	1.0	3,000 -0-	<del>\$ 22.00</del>	\$ 25.00
3 / 4"	1.5	4,500 -0-	<del>\$ 33.00</del>	\$ 36.00
1"	2.5	7,500 -0-	\$ 55.00	\$ 58.00
1 1/2"	5.0	15,000 -0-	\$110.00	\$113.00
2"	8.0	24,000 -0-	\$176.00	\$179.00

**Rates effective through October 2013**

\$4.00 per thousand gallons-inside the Water Conservation District

\$4.30 per thousand gallons—outside the Water Conservation District

**Effective November 2013 usage**

\$5.00 per thousand gallons-inside the Water Conservation District

\$5.30 per thousand gallons-outside the Water Conservation District

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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*

February 10, 2012

Mr. N.E. Deweber, President  
Baylor WSC  
PO BOX 426  
Seymour, TX 76380-0426

Re: Comprehensive Compliance Investigation at:  
Baylor WSC, 210 South Main Street, Seymour (Baylor County), Texas  
Regulated Entity No.: RN101441905, TCEQ ID No.: 0120004

Dear Mr. Deweber:

On February 2, 2012, Ms. Jennelle Crane of the Texas Commission on Environmental Quality (TCEQ) Abilene Region Office conducted a comprehensive compliance investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. 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. Jennelle Crane in the Abilene Region Office at 325-698-9674.

Sincerely,

A handwritten signature in black ink, appearing to read "Cliff Moore".

Cliff Moore  
Water Section Work Leader  
Abilene Region Office

CM/JEC

# TCEQ Interoffice Memorandum

**To:** Debbie Reyes Tamayo  
Utilities Financial Review

**From:** Fred Bednarski III *FB 4/7/14*  
Utilities Financial Review

**Thru:** Tammy Benter *TB 4/7/14*  
Utilities Financial Review

**Date:** April 07, 2014

**Subject:** Application from Baylor Water Supply Corporation (WSC), to Amend Certificate of Convenience and Necessity (CCN) No. 11605 in Archer, Baylor, Knox and Young counties; Application No. 37832-C

CN: 600748180; RN: 101440337

In my opinion, Baylor WSC has demonstrated adequate financial and managerial capability to provide service to the area subject to this application. These conclusions are based on information provided by the applicant prior to this date and may not reflect any changes in the applicant's status subsequent to this date.

Baylor Water Supply Corporation (WSC) has filed an application to amend CCN No. 11605 with the Texas Commission on Environmental Quality to provide water utility service in Archer, Baylor, Knox and Young counties. The proposed utility service area is located approximately 12 miles north, 36 miles east, 15 miles south and 13 miles west of downtown Seymour, Texas, and is generally bounded on the north by Lake Kemp; on the east by FM1768; on the south by FM210; and on the west by FM266. The total area being requested includes approximately 28,349 acres and 57 current customers. Due to existing facilities in the proposed service area, Baylor WSC will be able to provide adequate service. The current population in the area is very sparse. The land use of the area is generally agricultural with no industrial activity. The sparse population in the proposed area to amend it is not expected to have a significant economic impact on Baylor WSC. The landowners depend on private water wells in this area which during the persistent drought conditions may not provide adequate to them. Currently, Baylor WSC has no unresolved enforcement cases or violations listed in the Consolidated Compliance and Enforcement Data System (CEEDS) as of 04/07/2014.

Baylor WSC's audited financial statements for 2012 were available. The statements include a unqualified auditor's opinion stating that the financial statements referred to above present fairly, in all material respects, the financial position of Baylor WSC as of September 30, 2012, and 2011, 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. Baylor WSC's debt to net asset position ratio at 09/30/2012 was \$1.9 million to \$2.4 million, or 0.79 to 1.00. A ratio of less than 1 to 1 is preferred for analysis of financial/managerial capabilities. Increases in unrestricted assets were (\$142) thousand and depreciation was \$231 thousand. Future cash flows from principle and interest payments on long term debt for FY12

## TCEQ Interoffice Memorandum

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were \$34 thousand. Therefore the debt service coverage ratio calculates to be \$89 thousand to \$34 thousand or 2.62 to 1.00. A ratio of at least 1.25:1 is preferred when reviewing financial capability to ensure that reserve funds for debt payment and repairs and maintenance are built up and maintained.

**BAYLOR WATER SUPPLY CORPORATION  
SEYMOUR, TEXAS**

**AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 and 2011**

**RECEIVED**  
JUN 10 2012  
UTILITIES & DIST. SEC.

BAYLOR WATER SUPPLY CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012 and 2011

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of Baylor Water Supply Corporation  
P.O. Box 426  
Seymour, Texas 76380

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We have audited the accompanying statements of net assets of Baylor Water Supply Corporation, (a non-profit corporation), as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Board of Directors. 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; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit 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 the Board of Directors, 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 Baylor Water Supply Corporation as of September 30, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or in compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Davis Kinard & Co, PC*  
Certified Public Accountants

Seymour, Texas  
December 19, 2012

**BAYLOR WATER SUPPLY CORPORATION  
SEYMOUR, TEXAS**

**STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash & Cash Equivalents (Notes 1 & 2)	\$ 370,305	\$ 328,168
Investments	207,088	207,088
Interest Receivable	64	119
Prepaid Expenses	16,884	13,987
Accounts Receivable (Note 3)	<u>50,788</u>	<u>62,688</u>
Total Current Assets	<u>645,129</u>	<u>612,050</u>
 <b>PROPERTY AND EQUIPMENT (Notes 1 &amp; 10)</b>		
Water system and equipment	7,035,734	7,035,690
Land	165,802	165,802
Office Building, Furniture and Fixtures	<u>259,280</u>	<u>231,062</u>
	7,460,816	7,432,554
Less Accumulated Depreciation	<u>(3,658,132)</u>	<u>(3,426,789)</u>
Total Property and Equipment	<u>3,802,684</u>	<u>4,005,765</u>
 Total Assets	 <u>\$ 4,447,813</u>	 <u>\$ 4,617,815</u>

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See accompanying notes to financial statements.

**BAYLOR WATER SUPPLY CORPORATION**  
**SEYMOUR, TEXAS**  
**STATEMENTS OF NET ASSETS (continued)**  
**SEPTEMBER 30, 2012 and 2011**

<b>LIABILITIES</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 22,624	\$ 21,462
Interest Payable (Note 5)	4,020	3,890
Payroll Taxes Payable	3,042	3,351
TWC Payable	1,700	2,287
Current Portion of Long-Term Debt	<u>33,685</u>	<u>32,450</u>
Total Current Liabilities	<u>65,071</u>	<u>63,440</u>
 <b>LONG-TERM DEBT</b>		
FMHA Note Payable (Note 6)	1,955,756	1,989,438
Less: Current Portion	<u>(33,685)</u>	<u>(32,450)</u>
Total Long-Term Debt	<u>1,922,071</u>	<u>1,956,988</u>
 <b>OTHER LIABILITIES</b>		
Deposits – extension	<u>93,600</u>	<u>91,200</u>
Total Other Liabilities	<u>93,600</u>	<u>91,200</u>
Total Liabilities	<u>2,080,742</u>	<u>2,111,628</u>
 <b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,842,908	2,012,437
Restricted Assets		
Memberships (Note 7)	93,600	91,200
Debt Reserve	<u>107,188</u>	<u>107,188</u>
	<u>200,788</u>	<u>198,388</u>
Unrestricted Assets	<u>323,375</u>	<u>295,362</u>
Total Net Assets	<u>\$ 2,367,071</u>	<u>\$ 2,506,187</u>

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See accompanying notes to financial statements

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**BAYLOR WATER SUPPLY CORPORATION**  
**SEYMOUR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**UTILITIES & DISTRICTS SECTION**  
**YEARS ENDED SEPTEMBER 30, 2012 and 2011**

**OPERATING REVENUES, AND GAINS**

	<u>2012</u>	<u>2011</u>
Services – Water Sales & Related Fees	\$ 528,229	\$ 581,844
Interest and Dividends	2,658	2,074
Lease Income	3,000	3,000
Project Extension Contributions	34,366	56,008
Miscellaneous	<u>9,819</u>	<u>8,023</u>
Total Revenues	<u>578,072</u>	<u>650,949</u>

**EXPENSES AND LOSSES**

Water Operation:

Salaries and Payroll Taxes	156,852	152,553
Nitrate Plant Expense (Note 8)	84,390	98,161
Purchased Water	11,059	27,859
Transportation Expense	35,114	29,898
Operating Supplies	40,402	53,749
Utilities	17,354	17,505
Contract Labor	10,745	3,066
Maintenance	<u>5,128</u>	<u>2,468</u>
Total Water Operating Expenses	<u>361,044</u>	<u>385,259</u>

Administration:

Accounting & Legal	7,875	7,225
Depreciation	231,343	228,828
Interest	73,537	75,177
Insurance	12,477	19,698
Office Supplies & Postage	10,353	10,185
Telephone	4,367	4,283
Uniforms	2,059	2,425
Convention & Education	6,928	1,750
Other Administrative	<u>9,605</u>	<u>9,974</u>
Total Administrative Expenses	<u>358,544</u>	<u>359,545</u>

Total Expenses 719,588 744,804

Transfers from debt funds - 27,148

Increase/(Decrease) in Unrestricted Net Assets (141,516) (66,707)

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Interest and Dividends	-	562
New Meter Charges	2,400	2,500
Transfers from debt funds	<u>-</u>	<u>(27,148)</u>

Changes in Temporarily Restricted Net Assets 2,400 (24,086)

Increase/(Decrease) in Net Assets	(139,116)	(90,793)
Net Assets Beginning of Year	<u>2,506,187</u>	<u>2,596,980</u>
Net Assets End of Year	<u>\$ 2,367,071</u>	<u>\$ 2,506,187</u>

See accompanying notes to financial statements

BAYLOR WATER SUPPLY CORPORATION  
STATEMENT OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 and 2011

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SECTION

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>	<u>2011</u>
Cash Received from User Charges	\$ 562,595	\$ 637,852
Miscellaneous Revenues and Operation	15,477	13,097
Cash Payments for Other Operating Expenses	<u>(477,183)</u>	<u>(529,441)</u>
Net Cash Provided by Operating Activities	<u>100,889</u>	<u>121,508</u>
 <u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</u>		
Acquisition of Capital Assets	(27,470)	(4,978)
Equipment Loan Payment	-	(26,484)
Increase in Deposits - Extensions	2,400	2,500
Rural Development Note Payments	<u>(33,682)</u>	<u>(32,447)</u>
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(58,752)</u>	<u>(61,409)</u>
 Net Increase (Decrease) in Cash and Equivalents		
	42,137	60,099
Cash and Cash Equivalents at the Beginning of the Year	<u>328,168</u>	<u>268,069</u>
 Cash and Cash Equivalents at the End of the Year		
	<u>370,305</u>	<u>328,168</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	(139,116)	(90,793)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	231,343	228,828
(Increase)/Decrease in Interest Receivable	55	142
(Increase) in Prepaid Expense	(2,897)	(3,428)
(Increase)/Decrease in Accounts Receivable	11,900	(17,627)
(Increase)/Decrease in Investments	-	(4,724)
(Increase)/Decrease in Accounts Payable	(1,162)	5,544
(Increase)/Decrease in Interest Payable	(130)	(57)
(Increase)/Decrease in Payroll Taxes Payable	<u>896</u>	<u>3,623</u>
Net Cash Provided by Operations	<u>\$ 100,889</u>	<u>\$ 121,508</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash Paid During the Year for:		
Interest	\$ 73,537	\$ 75,177

See accompanying notes to financial statements.

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**BAYLOR WATER SUPPLY CORPORATION  
SEYMOUR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 and 2011**

**UTILITIES & DISTRICTS  
SECTION**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BACKGROUND**

Baylor Water Supply Corporation (The Corporation) was organized November 29, 1978 as a non-profit corporation under Article 1434-a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et. seq., as amended. The purpose of The Corporation is to provide a water supply for general farm use and domestic purposes to individuals residing in rural areas of Baylor, Archer and Young counties, Texas. The Corporation is, and shall continue to be, a corporation without capital stock, and membership shall be deemed personal estate, transferable only on the books of the corporation.

**CASH EQUIVALENTS**

The Corporation considers all highly liquid investments with maturities of three months or less at the date of acquisition, or available for immediate withdrawal with no significant penalty, to be "cash equivalents".

**REVENUE/EXPENSE RECOGNITION**

The Corporation recognizes revenues as they are earned and records expenses as they are incurred or the liability for which arises in order to match revenues and expenses.

**PROPERTY AND EQUIPMENT, AND DEPRECIATION**

Property and equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated useful life of the related asset. Rates range from 2½ % to 20% on assets with useful lives 40 to 5 years, respectively. Maintenance and repairs are charged to expense as incurred. Significant replacements or betterments are capitalized.

**FEDERAL INCOME TAXES**

Federal income taxes are not payable by, or provided for, The Corporation, since it is a non-profit entity, exempt from Federal income taxes under section 501(c)(12) of the Internal Revenue Code. Form 990 will be filed prior to the February 15, 2013, due date.

**ESTIMATES**

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

**NET ASSET PRESENTATION**

The Corporation is required to report information regarding its net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and invested in capital assets, net of related debt. As permitted by the statement, the corporation does not use fund accounting.

**NOTE 2: CASH AND INVESTMENTS**

Cash and cash equivalents consist of the following:

	<u>2012</u>	<u>2011</u>
Cash - (8 Accts. + Petty Cash)	\$ 370,305	\$ 328,168
(2) Certificates of deposit - Both over 90 days maturity	<u>207,088</u>	<u>207,088</u>
Total cash and investments	<u>\$ 577,393</u>	<u>\$ 535,256</u>

**BAYLOR WATER SUPPLY CORPORATION  
SEYMOUR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS, CONT'D  
SEPTEMBER 30, 2012 and 2011**

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SECTION**

**NOTE 3: ACCOUNTS RECEIVABLE**

All users of the water system are members of The Corporation upon payment of the initial membership fee, entitling the member to a meter. The Corporation's policy does not allow delinquent accounts in excess of the membership fee. When member's account receivable exceeds the membership fee, the meter is removed. Accordingly, no provision for uncollectible accounts is made in the financial statements.

**NOTE 4: EASEMENTS**

The cost of any easements reflected in the financial statements represent payments to land-owners for the right to lay water lines over certain property for which the owner refused to grant right-of-ways. The Corporation agreed to pay for the easements, in order to avoid condemnation suits. Many easements are granted to The Corporation without cost and are not reflected as a monetary value in the financial statements. Easements are amortized using the straight-line method over a 40-year period.

**NOTE 5: INTEREST PAYABLE**

Interest payable consists of the following:

	<b>2012</b>	<b>2011</b>
Farmers Home Administration	\$ 4,020	\$ 3,890

**NOTE 6: LONG-TERM NOTES**

Long-term notes consists of the following:

	<b>2012</b>	<b>2011</b>
Note payable to FMHA; 3.25% interest; payable \$5,292 monthly for 40 years; secured by real estate	\$ 1,218,079	\$ 1,241,583
Note payable to FMHA; 4.5% interest; payable \$3,632 monthly for 40 years; secured by real estate	<u>737,677</u> \$ 1,955,756	<u>747,855</u> \$ 1,989,438

Future scheduled maturities of long-term notes are as follows:

<b>Year ending Sept. 30</b>			
2013	\$	33,685	\$ 32,450
2014		35,935	34,100
2015		38,335	36,200
2016		40,985	39,700
2017		43,985	43,000
2018-2042		<u>1,762,831</u>	<u>1,803,988</u>
Total	\$	<u>1,955,756</u>	<u>\$ 1,989,438</u>

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**BAYLOR WATER SUPPLY CORPORATION**  
**SEYMOUR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS, CONT'D**  
**SEPTEMBER 30, 2012 and 2011**  
**UTILITIES & DISTRICTS SECTION**

**NOTE 7: MEMBERSHIPS**

The Corporation does not issue capital stock. Each user is required to pay a \$100 dollar membership fee for each meter he will use. Each member is entitled to one vote at membership meetings, regardless of the number of memberships owned. There were a total of 936 meters at September 30, 2012.

**NOTE 8: NITRATE PLANT**

Baylor Water Supply Corporation has entered into an agreement with the Baylor Water Supply Corporation, Texas to pay for a portion of a water treatment facility constructed by the City. The Corporation is obligated to pay the City twenty-five percent (25%) of the revenue bonds (principal and interest) issued by the City in order to finance the construction of the water treatment facility. The Corporation's total obligation to the City for the bonds is \$1,036,142. The annual obligation is approximately \$26,250. In addition to the bonds, the Corporation has agreed to pay the City for the maintenance and operation of the plant based on pro-rata water consumption, but in no case less than twenty-five percent (25%) of the total cost of maintenance and operation, and ten percent (10%) of management and administrative costs. The total amount paid to the City of Seymour was \$84,390 for 2012 and \$98,161 for 2011.

**NOTE 9: FEDERAL FINANCIAL ASSISTANCE**

The Corporation was awarded a grant from the USDA Rural Development to undertake a project of acquisition, construction, enlargement and capital improvement of a water system to serve the area under jurisdiction at an estimated cost of \$3,000,000 for Phase I and \$1,300,000 for Phase II. Phase I included \$1,550,000 Grant and the grant proceeds have been reported in fiscal years ending September 30, 2003 and 2004. Phase II grant proceeds total \$500,000 with \$392,590 received in fiscal years ended September 30, 2005 and 2006, \$52,694 received in fiscal year ended September 30, 2007 and \$54,716 in September 30, 2010 to complete the project. The total loan proceeds have been received of \$1,400,000 for Phase I and \$800,000 for Phase II. Monthly payments of \$8,924 are now being made on the two (2) USDA notes.

**NOTE 10: PROPERTY & EQUIPMENT**

Property and Equipment consist of the following:

	* 2012	2011
Land	\$ 165,802	\$ 165,802
Office building, Furniture & Fixtures	259,280	231,062
Water System	<u>7,035,734</u>	<u>7,035,690</u>
	7,460,816	7,432,554
Accumulated Depreciation	<u>(3,658,132)</u>	<u>(3,426,789)</u>
	<u>\$ 3,802,684</u>	<u>\$ 4,005,765</u>

\* There was \$27,470 of additions including a copier, Hydraulic trailer and mini-excavator. Also, depreciation expense of \$231,343 was taken in 2012.

**NOTE 11: SUBSEQUENT EVENTS**

The Corporation has evaluated all subsequent events through December 19, 2012, the date the financial statements were available to be issued.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Baylor Water Supply Corporation (BWS)

We have audited the accompanying financial statements of Baylor Water Supply Corporation (BWS), as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baylor Water Supply Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Baylor Water Supply Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Baylor Water Supply Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or its employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baylor Water Supply Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Baylor Water Supply Corporation in a separate letter dated December 19, 2012.

This report is intended for the information of Baylor Water Supply Corporation's board and administration, federal awarding agencies and Texas Water Development Board, and is not intended to be used and should not be used by anyone other than these specified parties.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Seymour, Texas  
December 19, 2012

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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UTILITIES & DISTRICT  
SECTION

To the Board of Directors  
Of Baylor Water Supply Corporation  
Seymour, Texas 76380

We have audited the financial statements of the Baylor Water Supply Corporation for the year ended September 30, 2011, and have issued our report thereon dated December 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated December 3, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

A part of our audit, we considered the internal control of the Baylor Water Supply Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Baylor Water Supply Corporation's compliance with certain provisions of laws, regulations, contract, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Baylor Water Supply Corporation are described in Note (I) to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimates are based on historical experience for allowances and time of usefulness for depreciation. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. There were no sensitive disclosures to the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 19, 2012.

*Management Consultations with Other independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year in the normal course of our professional relationship.

Other issues that were detected during the course of our audit and that have not been previously discussed follow:

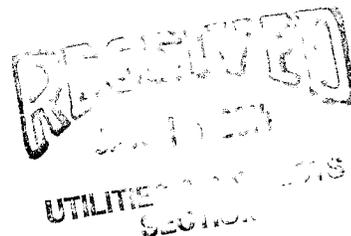
The September 30, 2012 financial statements report a loss of \$139,116 as compared to a \$90,793 loss in 2011. The major reason for this change was the decrease in revenues of \$72,877 in water sales and project extensions. Total expenses were some \$25,216 more than 2011. It is also noted that current year depreciation was \$231,343. Depreciation represents some 32% of total expenses and is a non cash item.

We continue to receive monthly financial statements during the year and this allows us to review any significant discrepancies prior to year end. We made some suggestions to Connie Futch to help eliminate problems with accounts payables, depreciation and the handling of customer deposits and extensions in the prior year. We will continue to monitor new accounts and postings.

This information is intended solely for the use of board of directors of the Baylor Water Supply Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis Kinard & Co, PC*  
Certified Public Accountants

Seymour, Texas  
December 19, 2012



# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: December 6, 2012

PRESENTED BY: Jessica P. Zuba

<b>APPLICANT</b>	Baylor Water Supply Corporation
<b>TYPE OF ASSISTANCE</b>	\$575,000 Loan
<b>LEGAL PLEDGE</b>	Parity First Lien on the Gross Revenues of the System further secured by a Mortgage Deed of Trust

**STAFF RECOMMENDATION**

Approve     
  No Action     
  Loan Committee Concurrence

**ACTION REQUESTED**

Approve, by resolution, a request from the **Baylor Water Supply Corporation (Baylor County)** for a \$575,000 loan from the Rural Water Assistance Fund to provide water system improvements, utilizing the pre-design funding option.

**PROJECT**

Millers Creek Water Supply  
Project Number 21722

**FINANCIAL SUMMARY**

Risk Score:	2B
Pledge for Repayment:	Revenues
Proposed Repayment Method:	Revenues
Operating Trends:	Positive
Rate Increase Needed:	No
Unrestricted Net Assets:	72% of annual expenses

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**COMMITMENT PERIOD: TWO (2) YEARS TO EXPIRE ON DECEMBER 31, 2014**

**FINANCIAL**

Key Issues

None.

Pledge and Repayment

The Baylor Water Supply Corporation (Corporation) is pledging a parity lien on the gross revenues of the system. The proposed loan will be on parity with the Corporation's outstanding debt. Utilizing a no-growth scenario, current rates are sufficient for the repayment of the existing and proposed debt service.

Staff's analysis is based on documentation received and an estimated Rural Water Assistance Fund tax-exempt rate of 3.92% and a 19-year maturity schedule.

Internal Risk Score

The Corporation's repayment capacity is adequate. The median household income is \$33,459, which is 32% below the state average. The unemployment rate for the area is 6.7%, which is slightly above the state average. The top ten customers of the system represent a diversified group and generate approximately 16% of the water system revenues. Baylor County's population has decreased approximately 8% since 2000; however, the number of connections within the Corporation's service area has increased an average of 2% per year. Corporation customers currently pay approximately 2.134% of their annual income for water service. This is above the household cost factor benchmark of 1% for one service. However, other indicators including a low debt per capita and an unemployment rate comparable to the state average offset the high household cost factor. Also, the Corporation's unrestricted fund balance is healthy representing 72% of annual expenses. Staff assigns a 2B to the City, and the proposed project to be funded.

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**LEGAL**

Key Issues

None.

**CONDITIONS**

Standard RWAf, revenue conditions and further conditioned as follows:

- Parity Agreement;
- Water Rights Certification;
- Pre-design funding; and
- Adopted water conservation plan.

- Attachments:
1. Project Data Summary
  2. Debt Service Schedule
  3. Engineering/Environmental Review
  4. Project Budget
  5. Resolution (12- )
  6. Water Conservation Review
  7. Location Map

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**Project Data Summary**

<b>Applicant</b>	Baylor Water Supply Corporation
<b>Program</b>	RWAF
<b>Commitment Number</b>	L1000078
<b>Project Number</b>	21722
<b>IUP Year</b>	N/A
<b>Fund Number</b>	3010
<b>Type of Pledge</b>	Gross Revenue and Mortgage Deed of Trust
<b>Revenue Pledge level</b>	First
<b>Name of Security</b>	\$575,000 Loan Agreement
<b>Tax-exempt or Taxable</b>	Taxable
<b>Years of Maturities</b>	19
<b>AMT</b>	Yes
<b>Outlay Required</b>	No
<b>Installment or Escrow</b>	Escrow
<b>Outlay for Release (1:1)</b>	No
<b>Population</b>	4,044
<b>Water Connections</b>	921
<b>Wastewater Connections</b>	N/A
<b>SRF - Qualifies as Disadvantaged</b>	N/A
<b>SRF - Disadvantaged Level</b>	N/A
<b>Green Project Reserve Amount</b>	N/A
<b>Non Equivalency (Tier II-CWSRF)</b>	N/A
<b>Equivalency (Tier III-CWSRF)</b>	N/A
<b>FMT Complete</b>	N/A
<b>Phase Committing</b>	PADC
<b>Pre-Design</b>	Yes
<b>Is water available for the life of the loan?</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Approvable
<b>Water Rights Certification Required</b>	Yes
<b>Internal Risk Score</b>	2B
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

<b>Project Oversight</b>	Darrell Nichols
<b>Financial Analyst</b>	Jessica Zuba
<b>Engineering Reviewer</b>	Francia Harutunian
<b>Environmental Reviewer</b>	Jennifer Kennedy
<b>Attorney</b>	Jim Bateman

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**ISSUE BEING EVALUATED**  
**Baylor Water Supply Corporation**  
**\$575,000 Loan Agreement**

Dated Date	02/15/13	Source: RWAF
Delivery Date	02/15/13	Rate: 3.92%
First Interest	08/15/13	Insurance: No
First Principal	02/15/14	Case: Revenue
Last Principal	02/15/32	
Fiscal Year End	9/30	

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT		INTEREST PAYMENT		TOTAL PAYMENT		TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT					
2013	213,212	107,088	-		11,270	3.92%	11,270	118,358	125	180	
2014	213,212	107,088	20,000		22,148	3.92%	42,148	149,236	100	143	
2015	213,212	107,088	20,000		21,364	3.92%	41,364	148,452	100	144	
2016	213,212	107,088	25,000		20,482	3.92%	45,482	152,570	100	140	
2017	213,212	107,088	25,000		19,502	3.92%	44,502	151,590	100	141	
2018	213,212	107,088	25,000		18,522	3.92%	43,522	150,610	100	142	
2019	213,212	107,088	25,000		17,542	3.92%	42,542	149,630	100	142	
2020	213,212	107,088	25,000		16,562	3.92%	41,562	148,650	100	143	
2021	213,212	107,088	25,000		15,582	3.92%	40,582	147,670	100	144	
2022	213,212	107,088	30,000		14,504	3.92%	44,504	151,592	100	141	
2023	213,212	107,088	30,000		13,328	3.92%	43,328	150,416	100	142	
2024	213,212	107,088	30,000		12,152	3.92%	42,152	149,240	100	143	
2025	213,212	107,088	30,000		10,976	3.92%	40,976	148,064	100	144	
2026	213,212	107,088	35,000		9,702	3.92%	44,702	151,790	100	140	
2027	213,212	107,088	35,000		8,330	3.92%	43,330	150,418	100	142	
2028	213,212	107,088	35,000		6,958	3.92%	41,958	149,046	100	143	
2029	213,212	107,088	35,000		5,586	3.92%	40,586	147,674	100	144	
2030	213,212	107,088	40,000		4,116	3.92%	44,116	151,204	100	141	
2031	213,212	107,088	40,000		2,548	3.92%	42,548	149,636	100	142	
2032	213,212	107,088	45,000		882	3.92%	45,882	152,970	100	139	
		\$ 2,141,760	\$ 575,000		\$ 252,056		\$ 827,056	\$ 2,968,816			

AVERAGE (MATURITY) LIFE	11.18 YEARS
NET INTEREST RATE	3.920%
TRUE INTEREST RATE	3.920%
AVERAGE ANNUAL REQUIREMENT	\$148,441

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REGISTRATION

**Baylor WSC**  
**Engineering and Environmental Review**

**Engineering:**Key Issues

None known at this time.

Project Need / Description

## Need:

The Baylor Water Supply Corporation (Corporation) relies on groundwater from a well field located on the north side of the City of Seymour for water supply to its approximately 923 connections. Due to drought and increased agricultural water use, water levels have dropped and wells in the well field have lost significant production capacity.

## Project Description:

The Corporation proposes to secure a supplemental water source by purchasing treated water from the North Central Texas Municipal Water Authority (Authority.) The Corporation proposes to construct an interconnect with the Authority's Water Treatment Plant (WTP) located on the north side of Millers Creek Reservoir. At this time, the project will involve the installation of approximately 40,000 lf of 10-inch PVC pipe, pump station and the necessary connection to the Authority's WTP.

Project Schedule

<b>Project Task</b>	<b>Schedule Date</b>
Closing	2/15/2013
Engineering Feasibility Report Completion (End of Planning Phase)	7/31/2013
Start of Construction	10/1/2013
Construction Completion	9/30/2014

**Environmental:**Key Issues

None known at this time.

Environmental Summary

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §384, subchapter B, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued by the Executive Administrator.

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