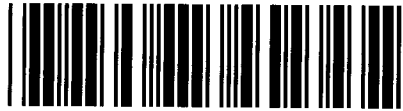




Control Number: 43156



Item Number: 1

Addendum StartPage: 0

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

**PATRICIA COY & ASSOCIATES, LLC**

815 WEST FIFTH STREET  
CLIFTON, TEXAS 76634  
TELEPHONE 254-675-8663  
FACSIMILE 254-675-4567

PATRICIA FERGUSON COY  
SHAUN D. CARPENTER

2014 SEP 18 AM 8:36  
PUBLIC UTILITY COMMISSION  
FILING CLERK

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**UTILITIES & DISTRICTS  
SECTION**

January 8, 2014

Texas Commission on Environmental Quality  
Utilities and Districts Section, MC-153  
P.O. Box 13087  
Austin, Texas 78711

Re: **CCN No. 10054; Tri-County SUD; Application to Amend Water or Sewer  
Certificate of Convenience and Necessity (CCN)**

File No. 7925-13-12pc

To Whom It May Concern:

Enclosed please find the original and three copies of all supporting information for the  
*Application to Amend a Water Certificate of Convenience and Necessity (CCN)*.

Should you have any questions, please do not hesitate to contact me.

Thank you for your help.

Sincerely,

/s/

Shaun Carpenter



# APPLICATION TO OBTAIN OR AMEND A WATER OR SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

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## GENERAL INFORMATION

★★★ THIS APPLICATION IS NOT A RATE CHANGE APPLICATION. THE APPROPRIATE FORMS NEEDED TO FILE A RATE CHANGE APPLICATION MAY BE OBTAINED FROM THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY'S (TCEQ'S) WEBSITE OR BY CONTACTING THE UTILITIES AND DISTRICTS SECTION OF THE TCEQ ★★★

- ☐ Pursuant to V.T.C.A., Water Code, Chapter 13, Subchapter G:
  - CCNs **may be obtained** by any retail public water and/or sewer utility.
  - CCNs **are required** for:
    - a) Investor Owned Utilities (IOU);
    - b) Non-profit, member-owned, member-controlled water supply or sewer service corporations (WSC) incorporated under Water Code, Chapter 67; and
    - c) Affected counties.
  - CCNs **may be required** for political subdivisions, except affected counties, before utility service can be provided to an area already lawfully being served.
- ☐ A CCN gives the holder:
  - the legal right to provide water and/or sewer utility service;
  - the legal right to be compensated, either directly through a monthly rate or indirectly through maintenance fees, property owners fees, etc.;
  - a delineated service area; **AND**
  - the obligation to provide service to every customer and qualified applicant who requests service within that area.
- ☐ A CCN is **not required** when service is either submetered pursuant to Water Code, Chapter 13, Subchapter M, or included in the rental of the property.
- ☐ IOUs and WSCs with less than 15 potential retail water service connections may register as "exempt" and then are not required to possess a CCN for their service area if they meet the exemption criteria. This exemption **does not apply** to sewer providers with less than 15 potential retail sewer connections. Retail sewer utilities **must** obtain a CCN to provide retail sewer service to more than one connection.
- ☐ **This application shall not be changed, altered or amended from its original form only available from the TCEQ.**

## PROCESSING YOUR CCN APPLICATION

### ☐ FLOW CHART

Attached are flowcharts of the review process. Your application will go through an Administrative Review and, when accepted for filing, a Technical Review. For uncontested applications, processing time depends on the response time of the applicant. Contested applications generally take longer because of the need for scheduling a public hearing, and processing time depends on whether a settlement agreement between the applicant and the protestor(s) is reached.

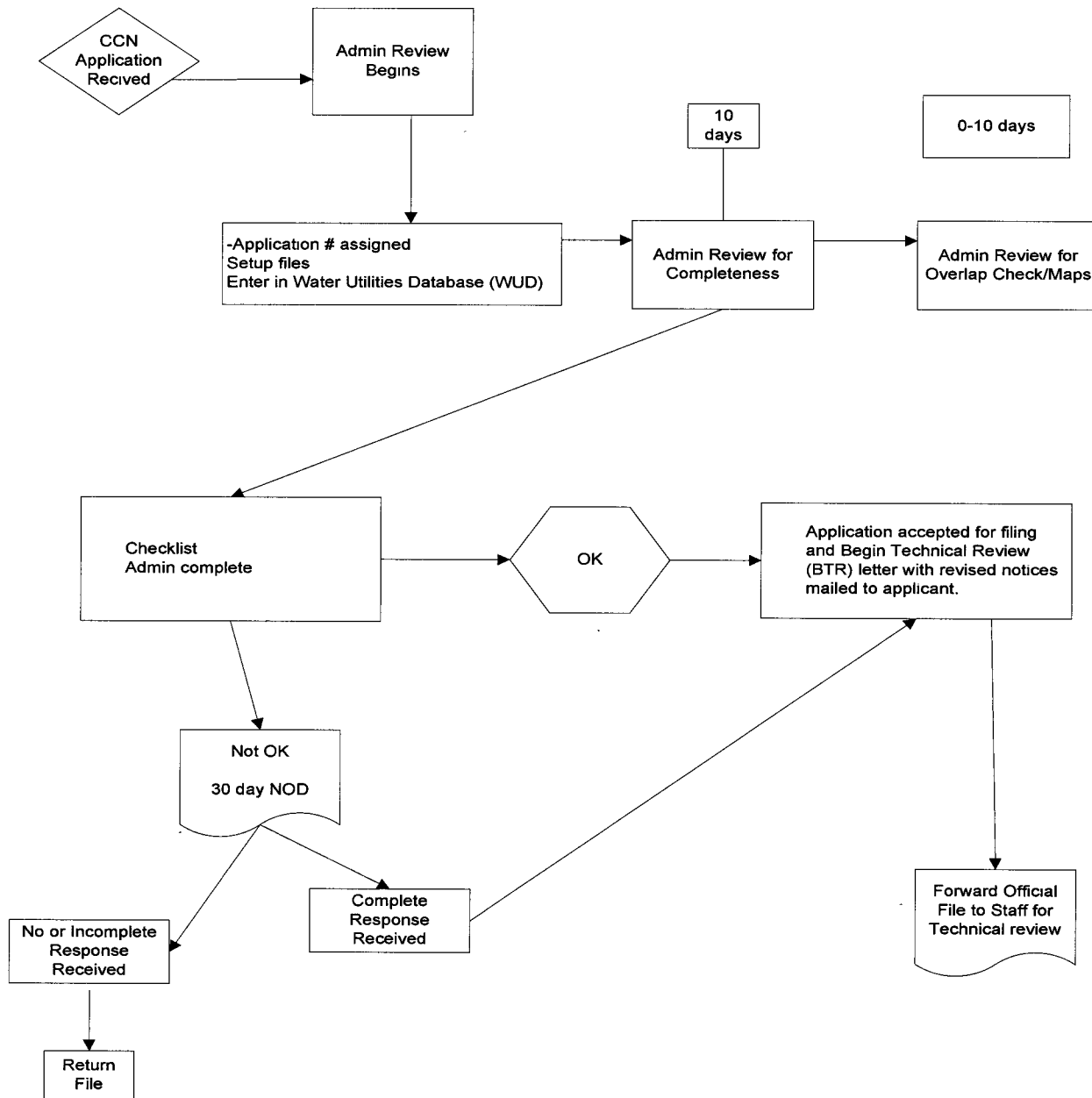
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# CCN Administrative (Admin) Review Process - Flowchart

Administrative  
Review  
Process

05/09



\* Includes TWC 13.255, 13.254 and 13.246 type applications.

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## 05/09

## UTILITIES & DISTRICTS SECTION



## ☐ **ADMINISTRATIVE REVIEW OF YOUR CCN APPLICATION**

- Your application will be reviewed for completeness by the Commission staff within ten (10) working days after it is received in our offices.
- Proposed notice forms are included with the application.
- If the application is administratively incomplete, you will be sent a letter that outlines the application's deficiencies and describes what is needed to correct the deficiencies. After receiving that letter, you will have thirty (30) days to make the necessary corrections.

**If you fail to make the corrections in full,**

- (a) **the application will be returned,**
- (b) **And if you are already operating a system, you will be referred for enforcement action which may include administrative penalties of up to \$500 per day.**

## ☐ **NOTICE**

The Commission cannot grant a CCN until proper notice of the application has been given. **It is the applicant's responsibility to ensure that proper notice is given.** Notice forms for publication, neighboring cities and systems, customers, and landowners are included with this application to use as a template in preparing your proposed notices. These notice forms are also available in Spanish upon request. If the applicant is an operating IOU currently providing service without a CCN, then proposed notices must be provided for publication, to neighboring cities and systems, landowners with 25 acres or more, and current customers in the proposed service area. **All three forms must be completed and submitted with the application.** However, if the applicant has no customers in the proposed area at the time of filing and is only proposing to provide service at some future date, or if the applicant is a WSC or political subdivision, then only the notices for landowners with 25 acres or more, publication and neighboring cities and systems must be submitted. **Do not publish the notice or send copies of the proposed notices or maps to anyone before submitting this application to the Commission.** Your proposed notices and maps will be reviewed for completeness. When your application is accepted for filing, you will be directed to provide the appropriate notices for publication, to the neighboring cities and systems and, if necessary, to current customers.

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## □ TECHNICAL REVIEW OF YOUR CCN APPLICATION

When the application is accepted for filing, you will be notified by mail and will be required:

- to publish notice once each week for two (2) consecutive weeks in a newspaper of general circulation in your local area and county. If the proposed area is in more than one county, publication in each county is required;
- to provide individual notice with a copy of the proposed CCN map to neighboring cities and systems within:
  - a) two (2) miles of your proposed service area, if you are an existing retail public utility amending the existing service area, **or**
  - b) five (5) miles if you are obtaining a new CCN to serve a new service area, and
- to provide individual mailed notice with a copy of the proposed CCN map to all affected current customers if you are required to have a CCN but are currently providing service without a CCN.

If the application is ***technically incomplete***, you will be sent a letter that outlines the application's deficiencies and describing what you need to do to correct the deficiencies. After receiving that letter, you will have ***thirty (30)*** days to make the necessary corrections. **If you fail to make the corrections in full:**

- a) **the application will be returned,**
- b) **And if you are already operating a system, you will be referred for enforcement action which may include administrative penalties of up to \$500 per day.**

V.T.C.A. Water Code Section 13.246(c) requires the Commission to consider the following factors before it can issue a CCN:

- the adequacy of service currently provided to the requested area;
- the need for additional service in the requested area, including whether any landowners; prospective landowners, tenants, or residents have requested service;
- the effect of the granting of a certificate or amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any retail public utility of the same kind already serving the proximate area;
- the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking into consideration the current and projected density and land use of the area;
- the feasibility of obtaining service from an adjacent retail public utility;
- the financial stability of the applicant to pay for the facilities necessary to provide continuous and adequate service and the financial stability of the applicant including, if applicable, the adequacy of the applicant's debt-equity ratio;
- environmental integrity;
- the probable improvement of service or lowering of cost to consumers in that area resulting from the granting of the certificate or amendment; **AND**
- the effect on the land to be included in the certificated area.

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In addition to these factors,

- the Commission must ensure that the applicant possesses the financial, managerial, and technical capability to provide continuous and adequate service **AND**
- the applicant must also demonstrate that regionalization or consolidation with another retail public utility is not economically feasible.

If there are **no protests**, you will be provided a copy of the technical staff recommendation and proposed CCN. If you have any questions or concerns, you should contact the technical staff person assigned to your application immediately. If you disagree with the staff recommendation and/or proposed CCN, the application will be considered contested, and a hearing may be requested.

If the application is **contested and a hearing is requested**, the application may be referred to the State Office of Administrative Hearings (SOAH). During the preliminary hearing, the presiding Administrative Law Judge (ALJ) may give the parties time to negotiate a settlement. Alternative Dispute Resolution (ADR) is available upon request of all of the parties. If a settlement is reached, the application will be remanded to staff for administrative processing. If a settlement is not reached, a discovery schedule and a date for an evidentiary hearing will be set. The ALJ will take testimony from each party and present a report to the Commission to consider in making a final decision on the application.

**The completed application and copies should be sent to:**

Texas Commission on Environmental Quality  
Utilities and Districts Section, MC-153  
P. O. Box 13087  
Austin, TX 78711-3087

★★★THIS APPLICATION IS NOT A RATE CHANGE APPLICATION.  
THE APPROPRIATE FORMS NEEDED TO FILE A RATE CHANGE  
APPLICATION MAY BE OBTAINED BY CONTACTING THE  
UTILITIES AND DISTRICTS SECTION, TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY. ★★★

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# APPLICATION TO OBTAIN OR AMEND A WATER/SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

\*CN# 600674162  
Instructions)

\*RN# 101400737

\*If known (See

## PURPOSE OF THIS APPLICATION

☐ OBTAIN ☐ New Water CCN ☐ New Sewer CCN

☒ AMEND ☒ Water CCN# 10054 ☐ Sewer CCN#

## 1. APPLICANT INFORMATION

Utility Name Tri-County Special Utilities District

Utility Address (City/ST/ZIP/Code) 5212 Hwy 7 East, Marlin, Texas 76661

Utility Phone Number and Fax (254) 803-3553

Contact Person: Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name Patricia Coy

Title Attorney

Street Address (City/ST/ZIP/Code) 815 West 5<sup>th</sup> Street, Clifton, Texas 76634

Telephone and Fax (254) 675-8663 fax: (254) 675-4567

E-Mail Address pcoy@bosquelaw.com

County (ies) in which service is proposed: McLennan, Falls, Limestone, and Robertson Counties, Texas

A. Check the appropriate box and provide information regarding the legal status of the applicant:

- ☐ Investor owned utility
- ☐ Individual
- ☐ Home or Property Owners Association
- ☐ Partnership
- ☐ For-profit corporation
- ☐ Non-profit, member-owned, member-controlled cooperative corporation  
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)
- ☐ Municipality
- ☒ District
- ☐ Other Please Explain:

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- B. If the applicant is a For-Profit business or corporation, please include the following information: **N/A**
- Provide a copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.
  - Provide the corporation's charter number as recorded with the Office of the Texas Secretary Of State \_\_\_\_\_
  - Provide a listing of all stockholders and their respective percentages of ownership.
  - Provide a copy of the company's organizational chart, if available.
  - Provide a list of all directors and disclose the title of each individual.
  - Provide a list of all affiliated organizations (if any) and explain the relationship with the applicant.
- C. If the applicant is a Water Code Chapter 67 water supply or sewer service corporation: **N/A**
- Provide a copy of the Articles of Incorporation and By-Laws.
  - Provide the corporation's charter number as recorded with the Office of the Texas Secretary of State.
  - Identify all members including name, address, title, and telephone number.
  - Provide a copy of the corporation's Certificate of Account Status from the Texas Comptroller of Public Accounts.

## 2. LOCATION INFORMATION

- A. Are there people already living in the proposed area? ☒ Yes ☐ No  
If YES, are any currently receiving utility service?  
☐ Yes ☐ No If YES, from Whom? Tri-County Special Utilities District

Demonstrate the Need for Service by providing the following:

- B. Have you received any requests for service in the requested service area?  
☒ Yes ☐ No If YES, provide the following:  
**See Exhibit "A"**
- Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
  - Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or  
Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
  - Provide copies of any written applications or requests for service in the requested area; and/or
  - Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area. If no, please justify the need for service in the proposed area.
  - If none of these items exist or are available, please justify the need for service in the proposed area in writing.

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**Note:** Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.

- C. Is any portion of the proposed service area inside an incorporated city or district?

☐ Yes ☒ No

If YES, within the corporate limits of: \_\_\_\_\_

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

- D. Is any portion of the proposed service area inside another utility's CCN area?

☐ Yes ☒ No

If YES, has the current CCN holder agreed to decertify the proposed area?

☐ Yes ☐ No

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest.

### 3. **MAP REQUIREMENTS: See Exhibit "B"**

**Attach the following hard copy maps with each copy of the application:**

- A. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
- B. A map showing only the proposed area by:
- i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
  - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
  - iii. following verifiable natural and man-made landmarks; or
  - iv. a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area.
- D. Provide separate and additional maps of the proposed area(s) to show the following:
- i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
  - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).



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**Note:** Failure to provide adequate mapping information may result in the delay or possible denial of your application. Digital data submitted in a format other than ESRI ArcGIS may result in the delay or inability to review applicant's mapping information.

**4. NEW SYSTEM INFORMATION OR UTILITIES REQUESTING A CCN FOR THE FIRST TIME - N/A**

- A. Please provide the following information:
- i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
  - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in #4.A.i above or documentation that it is not economically feasible to obtain service from each entity;
  - iii. copies of written responses from each system or evidence that they did not reply; and
  - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied?
- i. If yes, please provide documentation of the denial of service and go to 4.C.
  - ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.
- C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

- D. Date of plat approval, if required: \_\_\_\_\_  
Approved by: \_\_\_\_\_
- E. Date Plans & Specifications submitted for approval: \_\_\_\_\_  
Log # \_\_\_\_\_ Attach copy of approval letter if available.
- F. Date construction is scheduled to commence: \_\_\_\_\_
- G. Date service is scheduled to commence: \_\_\_\_\_



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**5. EXISTING SYSTEM INFORMATION**

A. Please provide the following information for **each** water and/or sewer system, attach additional sheets if necessary.

i. Water system's TCEQ Public Water System Identification number(s):

0	7	3	0	0	0	4														
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

ii. Sewer system's TCEQ Discharge Permit number(s)

W	Q						-					W	Q						-				
---	---	--	--	--	--	--	---	--	--	--	--	---	---	--	--	--	--	--	---	--	--	--	--

iii Date of last inspection: July 5 and 6, 2012

iv Attach a copy of the most recent inspection report letter. **See Exhibit "C"**

v For each system deficiency listed in the inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

B. Provide the following information about the utility's certified operators

Name	Classes	License Number
<b>See Exhibit D</b>		

- Attach additional sheet(s) if necessary -

C. Using the current number of customers, is any facility component in systems named in #5A above operating at 85% or greater of minimum standard capacity?

☐ Yes ☒ No

Attach an explanation listing the actions to be taken to make system improvements including proposed completion dates (See 291.93(3)(A) of TCEQ Rules).

D. in the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed number should reflect the information presented in the business plan or financial documentation and reflect the number of service requests identified in Question 2.b in the application. **See Exhibit "E"**

Water System			Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	1639		Residential		

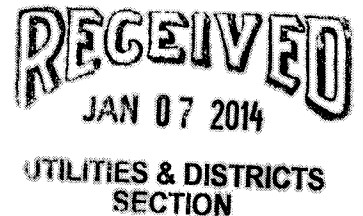
Water System			Sewer System		
1" meter or larger	11		Commercial		
Non-Metered			Industrial		
Other:			Other:		
Total Water	1650		Total Sewer		

- E. If this application is for a water CCN only, please explain how sewer service is or will be provided:

Private Sewer Systems

- F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

N/A



- G Effect of Granting a Certificate Amendment. **See Exhibit "F"**  
 Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:
- i the applicant,
  - ii any retail public utility of the same kind already serving the proximate area; and
  - iii any landowner(s) in the requested area.

- H. Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

- i ☒ No, (skip the rest of this question and go to #6)
- ii ☐ Yes, Water

Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency basis?

Source	% of Total Treatment

- iii Sewer treatment capacity,
- iv ☐ Yes

Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency basis?

Source	% of Total Treatment

- vi Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract.

I. Ability to Provide Adequate Service.

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i. the current and projected density, and
- ii. the land use of the requested area.

J Effect on the Land.

Explain the effect on the land to be included in the certificated area.

## 6. FINANCIAL INFORMATION

A. For new systems and for applicants with existing CCNs who are constructing a new stand alone system: **N/A**

- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
- ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates should correlate to the projected growth in connections, shown on the projected profit and loss statement.
- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B. For existing systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes

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(profit and loss and balance sheet worksheets are attached, if needed).

**See Exhibit "G"**

ii. Attach a proposed rate schedule or tariff. **See Exhibit "H"**

★NOTE: An existing system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application.

- C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.
- D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

**Note:** Failure to provide adequate financial information may result in the delay or possible denial of your application.

## 7. NOTICE REQUIREMENTS

- A. All proposed notice forms must be completed and submitted with the application. However, do not mail or publish them until you receive written approval from the Commission to do so.
- B. The Commission cannot grant a CCN until proper notice of the application has been given. **Commission rules do not allow a waiver of these notice requirements for CCN applicants.**
- C. **It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.**
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application to use in preparing your proposed notices. (These notice forms are also available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the Commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully and note any additional neighboring utilities which may be included in the acceptance letter.

### Notice For Publication:

The applicant shall publish the notice in a newspaper having general circulation in the county or counties where a CCN is being requested, once each week for two consecutive weeks beginning with the week after the notice is received from the Commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the Commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.

### G. Notice To Neighboring Utilities:

- i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
- ii. For applications for the issuance of a **NEW** CCN, the applicant must

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mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **five (5) miles** of the requested service area.

- iii. For applications for the **AMENDMENT** of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **two (2) miles** of the requested service area.

H. Notice to Customers

Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application. The notice must also list all zip codes affected by the application.

- I. The Commission may require the applicant to deliver notice to other affected persons or agencies.

**Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the Commission. Wait until you receive written authorization to do so. This will occur after the Commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.**

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# OATH

STATE OF TEXAS  
COUNTY OF Falls

I, Basil Margiotta, being duly sworn, file this application as President of Board (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Texas Commission on Environmental Quality.

I further represent that the application form has not been changed, altered or amended from its original form available only from the Commission.

**I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.**

Basil Margiotta

AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, This day 31 of July 20 13

SEAL



Mary Jo Kuropata  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

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UTILITIES & DISTRICTS  
SECTION

MARY JO KUROPATA  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 6-5-2016

## Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO  
PROVIDE WATER/SEWER UTILITY SERVICE IN  
McLennan, Falls, Limestone, and Robertson COUNTY(IES), TEXAS

Name of Applicant Tri-County Special Utilities District has filed an application for a  
CCN to obtain or amend CCN No. (s) 10054 with the

Texas Commission on Environmental Quality to provide water  
utility service in McLennan, Falls, Limestone, and Robertson County(ies).

The proposed utility service area is located approximately 30 miles surrounding  
[direction] of downtown Marlin , [City or Town] Texas, and is  
generally bounded on the north by \_\_\_\_\_ ; on the east by  
\_\_\_\_\_ ; on the south by \_\_\_\_\_ ; and on the west by \_\_\_\_\_

***See enclosed map of the proposed service area.***

The total area being requested includes approximately N/A acres and 1650  
current customers.

The proposed amendment affects customers and/or areas located in the following zip  
code(s):

76682, 76642, 76664, 76661, 76680, 76629, 77856, 77837, 77653

*(List All Affected Zip Codes)*

A copy of the proposed service area map is available at (Utility Address and Phone  
Number): 5212 HWY 7 East, Marlin, TX 76661 (254) 803-3553

A request for a public hearing must be in writing. You must state (1) your name, mailing  
address, and daytime telephone number; (2) the applicant's name, application number or  
another recognizable reference to this application; (3) the statement, "I/we request a  
public hearing"; (4) a brief description of how you or the persons you represent, would be  
adversely affected by the granting of the application for a CCN; and (5) your proposed  
adjustment to the application or CCN which would satisfy your concerns and cause you to  
withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality  
Water Supply Division  
Utilities and Districts Section, MC-153  
P. O. Box 13087  
Austin, TX 78711-3087

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SECTION

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Texas Commission on Environmental Quality  
Water Supply Division  
Utilities and Districts Section, MC-153  
P. O. Box 13087  
Austin, TX 78711-3087

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

***Si desea informacion en Espanol, puede llamar al 1-512-239-0200.***

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# Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO  
PROVIDE WATER/SEWER UTILITY SERVICE IN  
McLennan, Falls, Limestone, and Robertson COUNTY(IES), TEXAS

To: \_\_\_\_\_ Date Notice Mailed \_\_\_\_\_ 20 \_\_\_\_  
(Neighboring System, Landowner or City)

\_\_\_\_\_  
(Address)  
\_\_\_\_\_  
City State Zip

Name of Applicant Tri-County Special Utilities District has filed an application for a  
CCN to obtain or amend CCN No. (s) 10054 with the

Texas Commission on Environmental Quality to provide water

utility service in McLennan, Falls, Limestone, and Robertson County(ies).

The proposed utility service area is located approximately 30 miles surrounding  
[direction] of downtown Marlin, [City or Town] Texas, and is  
generally bounded on the north by \_\_\_\_\_; on the east by  
\_\_\_\_\_ ;on the south by \_\_\_\_\_ ;and on the west by \_\_\_\_\_

**See enclosed map of the proposed service area.**

The total area being requested includes approximately N/A acres and 1650  
current customers.

The proposed amendment affects customers and/or areas located in the following zip  
code(s):

76682, 76642, 76664, 76661, 76680, 76629, 77856, 77837, 77653

(List All Affected Zip Codes)

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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**Persons who wish to intervene or comment should write the:**

Texas Commission on Environmental Quality  
Water Supply Division  
Utilities and Districts Section, MC-153  
P. O. Box 13087  
Austin, TX 78711-3087

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

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If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Texas Commission on Environmental Quality  
Water Supply Division  
Utilities and Districts Section, MC-153  
P. O. Box 13087  
Austin, TX 78711-3087

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

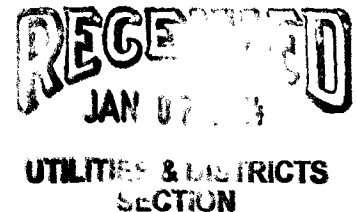
Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

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TRI-COUNTY SPECIAL UTILITY DISTRICT  
APPLICATION TO OBTAIN OR AMEND A WATER OR  
SEWER  
CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

EXHIBIT LIST:

- A. NEED FOR SERVICE
- B. MAP REQUIREMENTS
- C. INSPECTION REPORT
- D. UTILITY'S CERTIFIED OPERATORS
- E. METERED AND NON-METERED CONNECTIONS
- F. EFFECT OF GRANTING A CERTIFICATE AMENDMENT
- G. PROFIT, LOSS, AND BALANCE SHEET
- H. PROPOSED RATE SCHEDULE OR TARIFF





# Exhibit "A"

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SECTION

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Tri-County Special Utilities District is able to continue effectively supplying water to the predominantly rural water customers in this area for a number of years. Applicant has provided water to its customers in an economically responsible manner while expanding its system to meet population growth. Applicant is the only water service available for the area which it serves and is seeking the amendment to keep its certificate current within the area served. Applicant has a history of working for the betterment of customer service in quality and TCEQ compliance. These continued effects also benefit landowners by providing an affordable service for rural water service that would not be available to the sparsely populated areas. Applicant will continue to grow with the needs of the landowners as it has for that last 9 years by fiscal responsibility.

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# Exhibit "B"

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**OVERSIZED DOCUMENT(S)**

**TO VIEW**

**OVERSIZED DOCUMENT(S)**

**PLEASE GO TO**

**CENTRAL RECORDS**

**(512) 936-7180**

# Exhibit "C"

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SECTION

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



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

September 4, 2012

Mr. Basil Margiotta, President  
Tri County Special Utility District  
P.O. Box 976  
Marlin, Texas 76661-0976

Re: Comprehensive Compliance Investigation at:  
Tri County Special Utility District, Falls County  
Regulated Entity No.: RN101399749, TCEQ ID No.: PWS 0730004

Dear Mr. Margiotta:

On July 5 and 6, 2012, Investigator Fred Logan of the Texas Commission on Environmental Quality (TCEQ) Waco Regional Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for a public water supply. No violations are being alleged as a result of the investigation, however, please see the enclosed Area of Concern.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Fred Logan in the Waco Regional Office at 254-751-0335.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Monreal".

Richard Monreal, R.S.  
Water and Waste Section Work Leader  
Waco Regional Office

RM/fl/ps

Attachment: Summary of Investigation Findings

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SECTION

TCEQ Region 9 • 6801 Sanger Ave., Ste. 2500 • Waco, Texas 76710-7826 • 254-751-0335 • Fax 254-772-9241

Austin Headquarters: 512-239-1000 • [tceq.texas.gov](http://tceq.texas.gov) • How is our customer service? [tceq.texas.gov/customer survey](http://tceq.texas.gov/customer survey)

printed on recycled paper using soy-based ink

## Summary of Investigation Findings

TRI COUNTY SUD

Investigation #

1014418

Investigation Date: 07/05/2012

, FALLS COUNTY,

Additional ID(s): 0730004

### AREA OF CONCERN

Track No: 474732

30 TAC Chapter 290.46(m)

#### Alleged Violation:

Investigation: 1014418

Comment Date: 08/07/2012

Failure to maintain the facility in good working condition and general appearance.

The maintenance and housekeeping practices used by a public water system shall ensure the good working condition and general appearance of the system's facilities and equipment. The grounds and facilities shall be maintained in a manner so as to minimize the possibility of the harboring of rodents, insects, and other disease vectors, and in such a way as to prevent other conditions that might cause the contamination of the water.

At the time of this investigation, vines and vegetation were growing over the fences at Plant 10 and Well 3R.

**Resolution:** On July 17, 2012, photographs were received from Tri County SUD that demonstrated that the vines and vegetation had been removed. This was adequate to resolve this alleged violation as an Area of Concern.

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# Exhibit "D"

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# Tri-County Special Utility Distirct Licensed Operators

Name	License	License Number	Expiration Dates
Frank Wojchowski	Class "C" Surface Water Treatment Operator Customer Service Inspection	WS0005675 CI0003570	05/05/2014 04/19/2014
Louis Schroder	Class "C" Groundwater Treatment Operator Customer Service Inspection	WG0004577 CI0004626	7/11/2013 7/19/2013
Garland Nutt	Class "C" Groundwater Treatment Operator	WG0012150	9/29/2015
Mitchell Niemeyer	Class "C" Groundwater Treatment Operator	WG0009485	5/5/2014
Michael Tobias	Class "C" Groundwater Treatment Operator	WG0011472	12/2/2014

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# Exhibit "E"

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# Meters per Pressure Planes - Tri-County S.U.D. - 2013

	Active Meters	Inactive/Empty Outlets
Pressure Plane #5	108	30
Pressure Plane #9	144	22
Pressure Plane #10	198	33
Pressure Plane #7	147	37
Pressure Plane #3	220	30
Pressure Plane #4	174	18
Pressure Plane #1,6,11	556	70
Pressure Plane #12	65	14
Pressure Plane #8	38	6
<b>Totals</b>	<b>1650</b>	<b>260</b>
1639 - 3/4" meters		
8 - 1" meters		
1 - 1 1/2" meter		
2 - 2" meter		

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# Exhibit "F"

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UTILITIES & DISTRICT  
SECTION

## Effect of Granting Amended Certificate

Tri-County Special Utilities District is able to continue effectively supplying water to the predominantly rural water customers in this area for a number of years. Applicant has provided water to its customers in an economically responsible manner while expanding its system to meet population growth. Applicant is the only water service available for the area which it serves and is seeking the amendment to keep its certificate current within the area served. Applicant has a history of working for the betterment of customer service in quality and TCEQ compliance. These continued effects also benefit landowners by providing an affordable service for rural water service that would not be available to the sparsely populated areas. Applicant will continue to grow with the needs of the landowners as it has for that last 9 years by fiscal responsibility.

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# Exhibit "G"

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**TRI-COUNTY SPECIAL UTILITY DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2012**

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**UTILITIES & DISTRICTS  
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**TRI-COUNTY SPECIAL UTILITY DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2012**

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JAN 07 2014

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**ALTON D. THIELE, P. C.**

Certified Public Accountant  
300 E. Ave. C  
P.O. Box 808  
BELTON, TX 76513-0808

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**UTILITIES & DISTRICTS  
SECTION**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Tri-County Special Utility District  
Marlin, Texas 76661


We have audited the accompanying financial statements of Tri-County Special Utility District as of June 30, 2012 and 2011 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Tri-County Special Utility District as of June 30, 2012 and 2011 and the changes in fund net assets and 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 September 21, 2012, on our consideration of Tri-County Special Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Tri-County Special Utility District taken as a whole. The supporting schedules listed in the table of contents are presented for purposes of additional analysis for the Texas Commission on Environmental Quality, and are not a required part of the general financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects, in relation to the general-purpose financial statements taken as a whole.



September 21, 2012  
Belton, Texas 76513

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UTILITIES & DISTRICTS  
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Management's Discussion and Analysis  
Tri-County Special Utility District  
2012 Comprehensive Annual Financial Report

**TRI-COUNTY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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**UTILITIES & DISTRICTS  
SECTION**

As management of the Tri-County Special Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our financial statements, disclosures and additional information attached to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets at the end of the fiscal year ended June 30, 2012 were \$6,668,790 and exceeded liabilities by \$3,805,132.
- Total assets decreased by \$16,467.
- For fiscal year ended June 30, 2012, net assets increased by \$187,803.
- Investment in capital assets decreased by \$494,161.
- Total long-term debt decreased by \$54,859.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis is intended to serve as an introduction to the district's basic financial statements. The District's basic financial statements are composed of Statements of Net Assets, Revenues, Expenses and Changes in Net Assets; Cash Flows; and Notes to the Financial Statements. This report also contains other supplementary information and statistical information in addition to the basic financial statements.

**Basic Financial Statements** The financial statements are designed to provide readers with an overview of the District's finances, in a matter similar to private sector businesses.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Assets can be found on page 9 of the financial statement.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying cause of the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in fund net assets may serve as an indicator of the effect of the District's current year operation on its financial position. The Statement of Revenues, Expenses, and Changes in Net Assets can be found on page 10 of the financial statements.



**TRI-COUNTY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**UTILITIES & DISTRICTS  
SECTION**

The Statement of Cash Flows summarizes all of the District's cash flows into three categories: cash flows from operating activities, from investing activities and from financing activities. The Statement of Cash Flows can be found on page 11 of the financial statements. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The District's ability to generate future cash flows.
- The District's ability to pay its debt as the debt matures.
- Reasons for the difference between the District's operating cash flows and operating increases (decreases) in fund net assets.
- The effect on the District's Fund Net Assets of cash and non-cash transactions from investing capital and financing activities.

The "Notes to the Financial Statements" provides additional information that is essential to a full understanding of the data provided in the basic financial statements. The "Notes to Financial Statements" is on pages 12 through 15 of the basic financial statements.

The Required Supplemental Information to the Financial Statements provides a general overview of the factors used in computing the financial statements. The Required Supplemental Information to the Financial Statements is on pages 18 through 29 of the financial statements.

**FINANCIAL ANALYSIS**

**Statement of Net Assets** – As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,805,132 at the close of the most recent fiscal year.

The largest portion of the District's net assets (75%) reflects its investment in capital assets (e.g., land, water distribution system, machinery and equipment, office complex, and vehicles). However, the District's capital assets are not reported net of related debt used to acquire those assets. The amount of debt related to capital assets is \$2,737,118 as of close of the most recent fiscal year. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**TRI-COUNTY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**UTILITIES & DISTRICTS  
SECTION**

**Statement of Net Assets  
As of June 30, 2012**

**ASSETS**

Current Assets	\$ 1,509,254
Capital Assets	5,009,968
Other Assets	149,568
<b>TOTAL ASSETS</b>	<b>\$ 6,668,790</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities	\$ 106,337
Long-Term Liabilities	2,757,321
Net Assets	3,805,132
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,668,790</b>

Currently the District does not have any restrictions on its net assets and the entire amount can be used to meet the District's ongoing obligations.

**Statement of Revenue, Expenses, and Changes in Net Assets**

During the fiscal year ended June 30, 2012, the activities of the District resulted in an increase in net assets of \$113,290.

Operating revenues, when compared to fiscal year ended June 30, 2011, increased by \$264,892. Water sales increased \$248,682; installation fees and additional line charges increased \$13,875; other revenue increased \$2335.

Operating expenses, when compared to fiscal year ended June 30, 2011 increased \$47,527. Payroll and fringe benefit costs increased \$29,374, repairs and maintenance increased by \$34,241; utilities decreased by \$21,156 and depreciation expense decreased by \$5,328, due to fewer capital assets placed in service during the fiscal year ended June 30, 2012.

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**TRI-COUNTY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**UTILITIES & DISTRICTS  
SECTION**

**Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2012**

**REVENUES**

Water Sales	\$ 1,446,411
Installation, Extensions and Other Revenue	98,797
Interest Revenue	9,026
<b>TOTAL REVENUES</b>	<b>1,554,234</b>

**EXPENSES**

Operating Expenses	1,300,548
Interest Expenses	140,396
<b>TOTAL EXPENSES</b>	<b>1,440,944</b>

CHANGE IN NET ASSETS 113,290

NET ASSETS, BEGINNING 531,243

RECLASSIFY FROM CUSTOMER DEPOSITS 71,203

RECLASSIFY TO RESTRICTED FUNDS (1,828)

NET ASSETS, ENDING \$ 713,908

**CAPITAL ASSETS AND OUTSTANDING DEBT**

**Capital Assets**

The District's investment in capital assets as of June 30, 2012 amounted to \$5,009,968 (net of accumulated depreciation). The total increase in the District's investment in capital assets for the current year was \$5,188. The following table summarizes capital assets net of depreciation.

**Capital Assets  
June 30, 2012  
(net of depreciation)**

Land	\$ 52,382
Distribution System	6,014,015
Operations Equipment	3,619,836
Building	88,983
Office Equipment	27,798
Organization Costs	15,410
Construction in Progress - RD Project	2,829,448
	<u>12,647,872</u>
Accumulated Depreciation	<u>(7,637,904)</u>
<b>Net Capital Assets</b>	<b><u>\$ 5,009,968</u></b>

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**TRI-COUNTY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**UTILITIES & DISTRICTS  
SECTION**

**Outstanding Debt**

At the end of the current fiscal year, the District had total outstanding mortgage debt of \$809,118, which \$33,097 is current and \$1,928,000 in Revenue Bonds with \$24,000 current. All debt is payable to USDA Rural Development.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the district's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office Supervisor, Tri County Special Utility District, P. O. Box 976, Marlin, Texas 76661.

**TRI-COUNTY SPECIAL UTILITY DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012 AND 2011**

**RECEIVED**  
JAN 07 2014

**UTILITIES & DISTRICTS  
SECTION**

**ASSETS**

**CURRENT ASSETS**

Cash in Bank and on Hand	\$	638,759	\$	159,925
Invested Funds		671,837		669,525
Trade Accounts Receivable		117,498		119,984
Inventory		63,417		66,523
Prepaid Expenses		17,743		17,085

<b>Total Current Assets</b>		<b>1,509,254</b>		<b>1,033,042</b>
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**PROPERTY AND EQUIPMENT (Net)**

	<b>5,009,968</b>		<b>5,504,129</b>
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**OTHER ASSETS**

Reserve Funds		149,568		148,086
<b>Total Other Assets</b>		<b>149,568</b>		<b>148,086</b>

**TOTAL ASSETS**

	<b>\$</b>	<b>6,668,790</b>	<b>\$</b>	<b>6,685,257</b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Trade Accounts Payable	\$	11,345	\$	24,639
Accrued Interest		37,895		36,484
Current Portion Long Term Debt		33,097		34,037
Current Portion Bonded Debt		24,000		24,000

<b>Total Current Liabilities</b>		<b>106,337</b>		<b>119,160</b>
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**LONG-TERM LIABILITIES**

Consumer Deposits		77,300		214,828
Long Term Debt (Net of Current portion)		776,021		805,940
Long Term Bonded Debt (Net of Current Portion)		1,904,000		1,928,000
<b>Total Long-Term Liabilities</b>		<b>2,757,321</b>		<b>2,948,768</b>

**NET ASSETS**

Contributed Capital		2,938,000		2,938,000
Net Assets Appropriated		149,568		148,086
Net Assets Unappropriated		717,564		531,243
<b>Total Net Assets</b>		<b>3,805,132</b>		<b>3,617,329</b>

**TOTAL LIABILITIES AND NET ASSETS**

	<b>\$</b>	<b>6,668,790</b>	<b>\$</b>	<b>6,685,257</b>
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The accompanying notes are an integral part of these financial statements.

See Independent Auditors' Report



**TRI-COUNTY SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2012 AND 2011**

	Business-type Activities Enterprise Fund Water Treatment and Distribution Fund 2012	Business-type Activities Enterprise Fund Water Treatment and Distribution Fund 2011
<b>Operating Revenues</b>		
Water Sales	\$ 1,446,411	\$ 1,197,729
Installation Fees	41,500	44,250
Penalty and Reconnect Fees	34,120	33,070
Road Bores & Meter Study	20,625	4,000
Miscellaneous Income	2,552	1,267
Total Operating Revenues	<u>1,545,208</u>	<u>1,280,316</u>
<b>Operating Expenses</b>		
Auto Expense	44,808	38,619
Bad Debt Expense	1,368	1,520
Depreciation Expense	499,349	504,677
Dues and Subscriptions	14,307	18,940
Employee Compensation and Benefits	357,296	327,922
Insurance	29,992	33,533
Materials & Supplies	87,143	86,960
Miscellaneous Expenses	5,542	3,170
Office Expense	16,096	13,968
Accounting, Auditing, and Legal Expenses	18,057	9,867
Power purchased for pumping	119,819	140,975
System Repairs and Maintenance	98,052	63,811
Telephone	8,719	9,059
Total Operating Expenses	<u>1,300,548</u>	<u>1,253,021</u>
 Increase (Decrease) in Net Assets From Operating Activities	 244,660	 27,295
<b>Other Income / (Expense)</b>		
Interest and Dividend Income	9,026	15,419
Interest Expense	(140,396)	(143,238)
Total Other Income / (Expense)	<u>(131,370)</u>	<u>(127,819)</u>
 Net Increase (Decrease) in Net Assets From Operating Activities	 113,290	 (100,524)
 Net Assets Unrestricted - Beginning	 587,340	 689,692
Reclassify Funds to Restricted	<u>(1,828)</u>	<u>(1,828)</u>
 Net Assets Unrestricted - Ending	 <u>\$ 698,802</u>	 <u>\$ 587,340</u>

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**TRI-COUNTY SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
JUNE 30, 2012 AND 2011**

	Business-type Activities Enterprise Fund Water Treatment and Distribution Fund 2012	Business-type Activities Enterprise Fund Water Treatment and Distribution Fund 2011
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (Decrease) in Net Assets	\$ 113,290	\$ (100,524)
Adjustments to Reconcile Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and amortization	499,349	504,677
(Increase) decrease in accounts receivable	2,486	(17,564)
(Increase) decrease in investments	(2,312)	169,509
(Increase) decrease in deferred charges	(658)	3,228
(Increase) decrease in inventories	3,106	4,465
Increase (decrease) in accounts payable	(13,294)	17,000
Increase (decrease) in accrued interest	1,411	1,304
Total Adjustments	<u>490,088</u>	<u>682,619</u>
Net Cash Provided By (Used In) Operating Activities	603,378	582,095
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash payments for the purchase of equipment	(5,188)	(530,876)
Cash payments to purchase investments	<u>(1,482)</u>	<u>(1,828)</u>
Net Cash Provided By (Used In) Investing Activities	(6,670)	(532,704)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase (Decrease) in customer deposits	(63,015)	3,501
Principal payments on long term debt	<u>(54,859)</u>	<u>(51,957)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(117,874)</u>	<u>(48,456)</u>
NET INCREASE (DECREASE) IN CASH	478,834	935
CASH, JULY 1,	<u>159,925</u>	<u>158,990</u>
CASH, JUNE 30,	<u><u>\$ 638,759</u></u>	<u><u>\$ 159,925</u></u>

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