



Control Number: 43712



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43712

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PUBLIC UTILITY COMMISSION
FILING CLERK

Timothy J. Karczewski
Direct Dial: 936.632.3130
Direct Fax: 936.632.6545
tkarczewski@skeltonslusher.com

September 10, 2014

VIA CMRRR NO. 7012 3460 0001 5447 6365

Public Utility Commission
Water Utilities Division
P.O. Box 13326
Austin, Texas 78711-3326

In re: Application from Tyler County Water Supply Corporation (WSC), Certificate of Convenience and Necessity No. 11528, to Transfer a Portion of CCN No. 10147 held by Lake Livingston Water Supply and Sewer Service Corporation (Wayward Wind Estates) in Tyler County; Application No. 37966-S

CN: 600639348; RN: 101193415 (Tyler County WSC)
CN: 603662164; RN: 101652097 (Lake Livingston WSSSC)

Dear Sir/Madam:

In response to letter dated August 5, 2014 from Cari-Michel La Caille at TCEQ, enclosed are four (4) copies of a general location map delineating the proposed service area in regard to the above referenced matter.

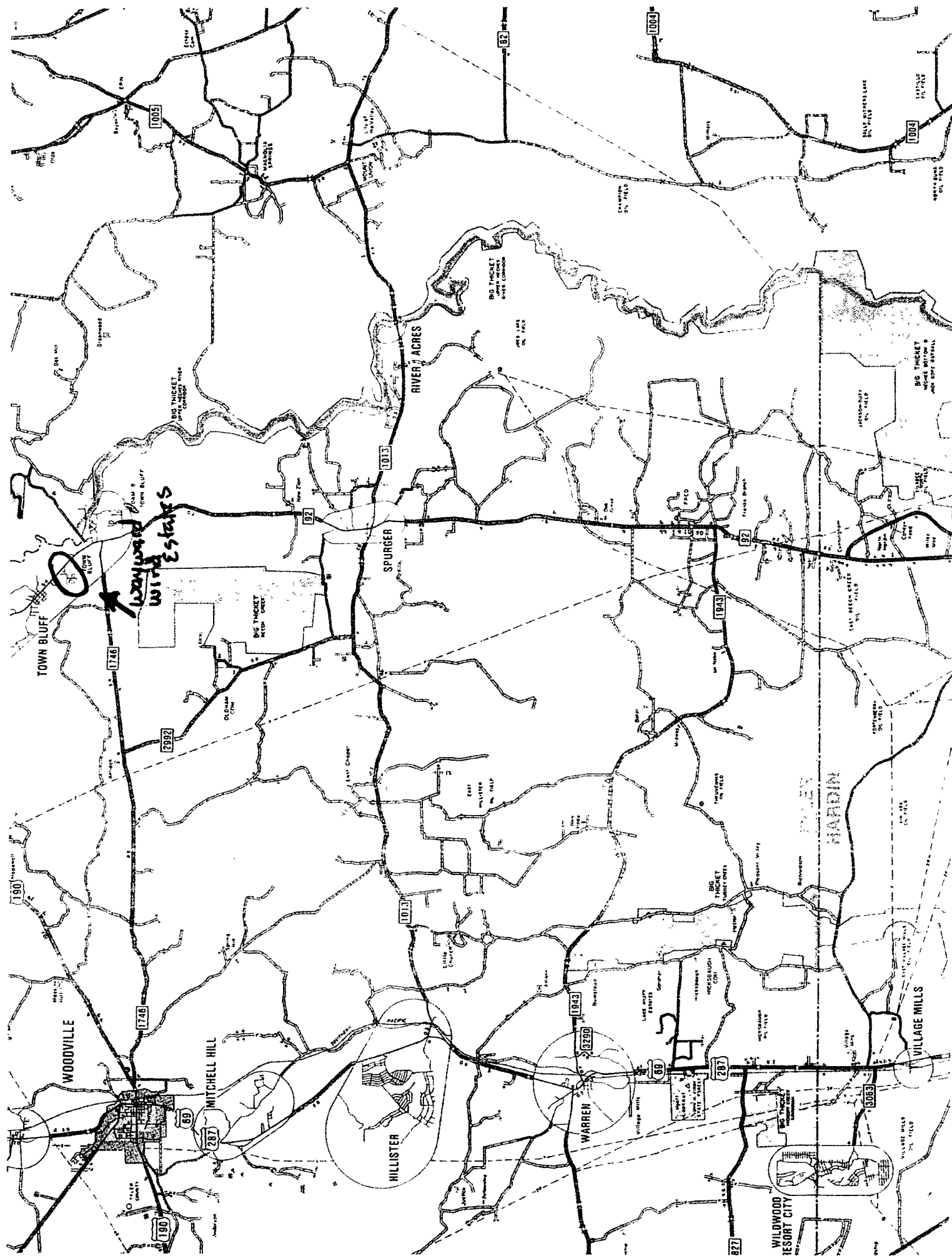
Very truly yours,


Timothy J. Karczewski

TJK/rc
ND: 4823-8453-4526, v. 1

Enclosure

cc: Ms. Cari-Michel La Caille, Assistant Director
Water Supply Division, TCEQ
P.O. Box 13087
Austin, Texas 78711-3087



Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*

91 7199 9991 7031 8277 8445

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

August 5, 2014

BY EMAIL TO tkarczewski@skeltonslusher.com
BY CERTIFIED MAIL

Mr. Timothy J. Karczewski, Attorney
Skelton Slusher Barnhill Watkins Wells, PLLC
1616 South Chestnut
Lufkin, Texas

NOTICE OF DEFICIENCY

Re: Application from Tyler County Water Supply Corporation (WSC), Certificate of Convenience and Necessity No. 11528, to Transfer a Portion of CCN No. 10147 held by Lake Livingston Water Supply and Sewer Service Corporation (Wayward Wind Estates) in Tyler County; Application No. 37966-S

CN: 600639348; RN: 101193415 (Tyler County WSC)
CN: 603662164; RN: 101652097 (Lake Livingston Water Supply and Sewer Service Corporation)

Dear Mr. Karczewski:

The above referenced application has been assigned Application No. 37966-S, but has not been accepted for filing. Please refer to the application number in future correspondence.

Additional information is necessary for your application to be accepted for filing. The map provided was not detailed enough to position the metes and bounds survey.

Please provide four (4) copies of the following:

- A. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county; and

Processing of the above referenced application cannot proceed and notices cannot be published or mailed until we receive the requested items. These items must be completed and returned by **September 15, 2014**. Effective September 1, 2014, responsibility for regulating water and wastewater rates and CCNs will transfer to the Public Utility Commission of Texas (PUC). If responding before September 1, 2014, please submit your information to the TCEQ at the address shown on the letterhead. After September 1, 2014, please submit your written response to the address below:

To: Administrative Reviewer

Date Complete: July 17, 2014

From: Cartographer-Utilities & Districts Section

Subject: Overlap & Notice Check for Admin. Review & Appl. No. **A-083-14/ 37966-S**
Tyler County WSC (11528) to transfer a portion of (10147) Lake Livingston Water
Supply and Sewer Service Corporation: Wayward Winds Estates in
Tyler County

1. No new overlap of service areas exists.
2. An overlap exists with the city of:
3. Dual certification exists between:
4. An overlap exists with the city limits of:
5. If this is a Sale, Transfer, or Merger, is additional area being requested?
6. Due to an inadequate map filed by the applicant, a determination cannot be made as to the actual location of all the requested water service boundaries.
7. Map submitted is in a digital version. Request an electronic copy with response letter.
8. Need a more detailed map such as a USGS topographic base map displaying the surrounding roads and highways with the proposed boundary clearly identified.
9. Utility notice was sufficient.
10. Utility notice was insufficient. In addition to those systems listed in the application, they will also need to notify:

TWO MILES:

*All cities and ETJ's within 2 miles of proposed service area

* Any other utility, district, county or entity that would be required to receive notice

FIVE MILES:

X 11. Notice: **DO NOT NOTICE**

X 12. Other comments: **Please submit part A:**

- 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

**Skelton | Slusher
Barnhill | Watkins | Wells**

PLLC
Attorneys at Law

Timothy J. Karczewski
Direct Dial: 936.632.3130
tkarczewski@skeltonslusher.com

June 30, 2014

VIA CMRRR NO. 7011 1570 0000 8344 6029

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

In re: Lake Livingston Water Supply Corporation's Application for Sale, Transfer or Merger of
a Retail Public Utility to Tyler County Water Supply Corporation

Dear Sir/Madam:

Enclosed is the original and three copies of the Application for Sale, Transfer or Merger as referenced above and all attachments and notices required. Also, enclosed are four copies of the Contract for Sale of Utility System and Franchise Tax Account Status for Lake Livingston WSC and Tyler County WSC.

Thank you for your prompt attention and consideration of this matter.

Very truly yours,


Timothy J. Karczewski

TIJ/rc
F:\My Documents\LLWSSC\Ltr to TCEQ tran STM App.wpd

Enclosures

cc: Mr. John Ganzer

Mr. Jerry Lovelady

RECEIVED
JUL 1 2014
UTILITIES AND DISTRICTS
SECTION

**APPLICATION FOR SALE, TRANSFER,
OR MERGER OF A RETAIL PUBLIC UTILITY**

*RN# *CN# *If known (See instructions)

1. Proposed action of application (check all the boxes that apply):

☒ Sale of ☐ All ☒ Portion of the ☒ Water system(s) under CCN No.:
☐ Acquisition ☐ Sewer system(s) under CCN No.:
☐ Lease/Rental

☒ Transfer of ☐ All ☒ Portion of the ☒ Certificated water service area – CCN No.:
☐ Certificated sewer service area – CCN No.:

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

This transaction only applies to the Wayward Winds Estates subdivision in Tyler County.

and to:

☐ Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN
☒ Amend the transferee's CCN No.:
☐ Merge or consolidate public utilities
☐ Cancel CCN of the transferor (seller)

2. Proposed effective date of this transaction:

(Must be at least 120 days after proper notice is provided)

**QUESTIONS 3 THROUGH 5 APPLY TO THE TRANSFEROR
(CURRENT SERVICE PROVIDER OR SELLER)**

3. For the current CCN holder or service provider please indicate:

A. Name:

(Individual, Corporation or Other Legal Entity)

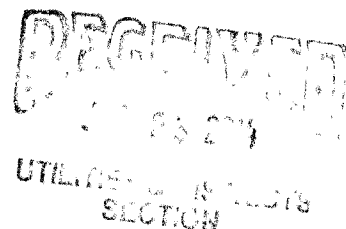
who is a(n): of ☐ Individual ☐ Corporation ☒ WSC ☐ HOA or POA ☐ Other

B. Utility Name (if different than above):

Address: Telephone: (AC)

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Title:
Address: Telephone: (AC)
Fax: Email:



4. About the last rate increase for the system or facilities being transferred:
A. What was the effective date of the last rate increase?

B. Was notice of this increase provided to the Texas Commission on Environmental Quality or its predecessors?

☒ No ☐ Yes- Application/Docket Number: Date

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
See attached			

☛ Within 30 days of the actual transaction date, and prior to the transfer of the certificate by the TCEQ, the seller must provide proof to the Commission that these customer deposits were returned to the customers or transferred to the purchasing utility. Proof should include a sworn affidavit.

QUESTIONS 6 THROUGH 16 REFER TO THE TRANSFeree OR PURCHASER

6. For the person or entity acquiring the facilities and/or CCN:

Applicant: **Tyler County Water Supply Corporation**
(Individual, Corporation, or Other Legal Entity)

Utility Name:
(If different than above)

Utility Address: **P.O. Box 138, Spurger, TX 77660**

Fax: **(936) 429-5859** Email: Telephone (AC): **(409) 429-3994**

CCN Numbers held prior to the filing of this application: **11528**

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

- ☐ Individual
☐ Home or Property Owners Association
☐ Partnership; attach copy of partnership agreement
☐ Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas:

☒ Non-profit, member-owned, member-controlled Cooperative Corporation (Article 1434(a) Water

Supply or Sewer Service Corporation); provide charter number: **44802601**

- ☐ Municipally-owned utility
☐ District (MUD, SUD, WCID, etc.)
☐ County

☐ Other (please explain):

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:		Email:	
Address:			
Telephone (AC):		Fax (AC):	

9. If the applicant is other than an *Individual* provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	See attached list	Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

- Attach additional sheet(s) if necessary -

- Important:** • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

Texas Comptroller of Public Accounts

P. O. Box 13528, Capitol Station
Austin, Texas 78711
1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Timothy J. Karczewski	Title:	Attorney
Address:	P.O. Box 154540, Lufkin, TX 75915	Telephone (AC):	(936)632-3130
Fax #	(936)632-6545	Email	
Relationship to the applicant:	Attorney		

IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY

11. Please respond to each of the following questions. Attach additional sheets if necessary.

A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

Tyler County WSC provides adequate and continuous service to over 2,000 customers in Tyler County and has done so for over 30 years.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? ☐ Yes ☒ No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

N/A

C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and ensure continuous and adequate service.

N/A

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

Public Water System #3390014 is currently operated by Lake Livingston Water Supply and Sewer Service Corporation (Lake Livingston). Lake Livingston's offices are over 40 miles away. Therefore, all service and any emergencies require Lake Livingston personnel to travel nearly 90 miles round trip. Given the small size of the system (approximately 16 connections) this is very inefficient from a cost perspective. Tyler County services hundreds of customers that virtually surround this system. Their offices are in Spurger approximately 7 miles away. Therefore, their response time to emergencies will be much shorter and neither emergencies nor normal operations will require nearly 90 miles of round trip travel.

E. How will the transaction serve the public interest?

Response time and cost to service the system will be reduced allowing for the customer's rates to rise more slowly.

12. Please describe the nature of the proposed transaction:

Sale of system.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the TCEQ, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

A.

• Total Purchase Price:

• Total Original Cost (as recorded on books of seller or merging entity):

• Accumulated Depreciation as of the proposed effective date of the transaction:

• Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ:

- Revenues from explicit customer agreements:

- Developer Contributions (please explain):

- Other Contributions (please explain):

Total Contributions in Aid of Construction

• Net Book Value:

☐ If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number: Date:

☐ If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

B. Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.
[attach additional sheet(s) if necessary]:

--

- C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	
Plant Acquisition Adjustment:	
Extraordinary Loss on Purchase:	
Accumulated Depreciation of Plant:	
Cash:	
Notes Payable:	
Mortgage Payable:	
Others (please list):	

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials: Date:

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:
- ☐ All the customers will be charged the same rates as they were charged before the transaction.
- ☐ Some ☒ All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

Customers will be charged same rate as all other Tyler County WSC customers.
--

☐ Applicant is an IOU and intends to file with the Commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

--

☐ Other. Please explain:

--

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

Pure Utilities
207 W. Mill Street
Livingston, TX 77351-3224

16. Financial, Managerial and Technical information for the acquiring entity.

HISTORICAL BALANCE SHEETS

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash	See					
Accounts Receivable	attached					
Inventories	Audit.					
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
TOTAL						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS						

HISTORICAL INCOME STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps	See					
New Taps Per Year	attached					
Total Meters at Year End	audit.					
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

HISTORICAL EXPENSES STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	See					
Office Expense	attached					
Computer Expense	audit.					
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash	See					
Accounts Receivable	attached					
Inventories	audit.					
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps	See					
New Taps Per Year	attached					
Total Meters at Year End	audit.					
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	See					
Office Expense	attached					
Computer Expense	audit.					
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income	See					
Depreciation (If Funded)	attached					
Loan Proceeds	audit.					
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
SERVICE (CADS)						
Net Income (Loss)						
Depreciation, or Reserve Interest						
Total						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

2	2	9	0	0	1	4
---	---	---	---	---	---	---

Date of last inspection:

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

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

 -

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-Name of Permittee:

-Date of application to transfer Discharge Permit submitted:

-Date of application to transfer Discharge Permit approved by TCEQ:

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

Water Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☐ No
☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: % of total supply:

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	
16	-5/8" or 3/4" meter		-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:				Total Sewer Connections	

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
If yes, please explain what steps are being taken to address the capacity issues:

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#
See attached list		

24. Attach the following maps with each copy of the application:

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
 1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
 2. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - iii. following verifiable natural and man-made landmarks, or
 - iv. a copy of recorded plat map with metes and bounds.
 3. A written description of the proposed service area.

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF TEXAS

COUNTY OF POLK

I, John Ganzer, being duly sworn, file this application for sale, lease, rental or merger or consolidation as General Manager of Lake Livingston Water Supply and Sewer Service Corporation

(*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 documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

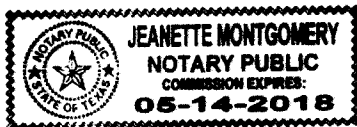
I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Commission or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Water Code.

John Ganzer
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,
day 19th of June, 20 14.

SEAL



Jeanette Montgomery
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Jeanette Montgomery
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 05-14-2018

One copy of this page must be submitted for each utility involved in this transaction.

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF TEXAS

COUNTY OF TYLER

I, Jerry Lovelady, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as General Manager of Tyler County Water Supply Corporation

(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 documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Commission or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

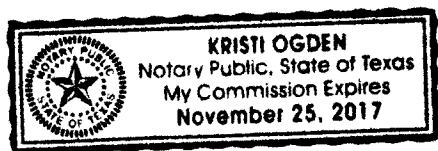

AFFIANT
(Utility's Authorized Representative)


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.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
day 24th of June, 20 14.

SEAL




NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS


PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 11-25-2017

One copy of this page must be submitted for each utility involved in this transaction.

Notice to Current Customers, Neighboring Systems and Cities

Lake Livingston Water Supply and Sewer Service 'S
Corporation
(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND
NECESSITY (CCN) NO 10147 TO Tyler County Water Supply Corporation
(Purchaser's or Transferee's Name)
IN Tyler COUNTY, TEXAS

To: Pure Utilities Date Notice Mailed _____, 20 ____
(Name of Customer, Neighboring System or City)

207 W. Mill Street
(Address)

Livingston, TX
77351
City State Zip

<u>Lake Livingston Water Supply and Sewer Service Corporation</u>	<u>PO Box 1149</u>	<u>Livingston, TX 77351</u>
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Texas Commission on Environmental Quality to sell facilities and transfer
water or sewer (please select) CCN No. 10147 in Tyler [County Name]

County to:

<u>Tyler County Water Supply Corporation</u>	<u>PO Box 138</u>	<u>Spurger, TX 77660</u>
Purchasers or Transferee's Name	Address	City/State/Zip Code

The sale is scheduled to take place as approved by the Executive Director (V.T.C.A., Water Code §13.301). The
transaction and the transfer of the CCN include the following subdivision(s) and zip codes:

Wayward Winds Estates 77660

The area subject to this transaction is located approximately 7.5 miles North [direction] of
downtown Spurger, [City or Town] Texas, and is **generally** bounded on the north by
County Road 4180 ;on the east by FM 92
;on the south by County Rd 4195 ;and on the west by Antioch Road

The total area being requested includes approximately 120 acres and serves 16 current customers.
This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

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

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Executive Director will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Executive Director may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application 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

Se desea informacion on Espanol, puede llamar al 512-239-0200.

Utility Representative

Utility Name

Notice to Current Customers, Neighboring Systems, Landowner and CitiesLake Livingston Water Supply and Sewer
Service Corporation

'S NOTICE OF INTENT TO SELL FACILITIES TO

(Seller's or Transferor's Name)

Tyler County Water Supply Corporation

AND FOR

(Purchaser's or Transferee's Name)

Purchaser's or Transferee's Name)

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN
Tyler COUNTY, TEXASTo: _____ Date Notice Mailed _____, 20 ____
(Name of Customer, Neighboring System, Landowner or City)

(Address)

City

State

Zip

Lake Livingston Water Supply and
Sewer Service Corporation

PO Box 1149

Livingston, TX 77351

Sellers or Transferors' Name

Address

City/State/Zip Code

has submitted an application with the Texas Commission on Environmental Quality to sell water or sewer (please
select) Facilities in Tyler [County Name] County to:Tyler County Water Supply
Corporation

PO Box 138

Spurger, TX 77660

Purchasers or Transferee's Name

Address

City/State/Zip Code

The transferee has also requested to obtain/amend a CCN in this application. The sale is scheduled to take place as
approved by the Executive Director (V.T.C.A., Water Code §13.301). The transaction and the proposed service
area include the following subdivision(s) and zip codes:

Wayward Winds Estates 77660

The area subject to this transaction is located approximately 7.5 miles North [direction] of
downtown Spurger, [City or Town] Texas, and is **generally** bounded on the north by
County Road 4180; on the east by FM92
; on the south by County Road 4195; and on the west by Antioch RoadThe total area being requested includes approximately 120 acres and serves 16 current customers.
This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

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

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Executive Director will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Executive Director may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application 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

Se desea informacion on Espanol, puede llamar al 512-239-0200.

Utility Representative

Utility Name

WAYWARD WINDS CUSTOMERS WITH DEPOSITS

Kelly R. Smith
Sabrina F. Densley

The deposit will be returned to the customer.

TYLER COUNTY WATER SUPPLY CORPORATION

BOARD OF DIRECTORS:

President	Jim Boone 1930 CR 2570 Colmesneil, Texas 75938	(409) 837-5689
Vice President	James Alfaro 15437 FM 1943 E Fred, Texas 77616	(409) 429-3029
Sec/Treasurer	Paul James 2738 FM 92 S Woodville, Texas 75979	(409) 429-7444
Director	Billy Barnes 1223 CR 3475 Colmesneil, Texas 75938	(409) 837-2320
Director	Willie Gill 150 CR 4416 Woodville, Texas 75979	(409) 429-3989
Director	Charles Horton PO Box 306 Colmesneil, Texas 75938	(512) 718-1281
Director	Roger McGee 2101 CR 4120 Woodville, Texas 75979	(409) 679-5586

TCWSC OPERATOR CERTIFICATION

TYLER COUNTY WATER SUPPLY CORPORATION

PWS # 2290037

NAME	Water Operator License Cust. Serv. Inspect. (CSI)	WOL expiration date CSI expiration date	WOL number CSI number
Jerry Lovelady	Class A Water CSI License Class A Wastewater	6-1-2016 2-21-2017 6-1-2016	WO0008570 CI0002464 WW0023845
James Roesch	Class B Groundwater CSI License	9-9-2016 11-10-2016	WG0012880 CI0004725
Wade Ester	Class C Groundwater CSI License	6-2-2014 5-31-2016	WG0011185 CI0007086
Jordan Drake	Class C Groundwater CSI License	1-30-2015 9-15-2014	WG0013759 CI0008760
Eric Davis	Class D Water CSI License	1-3-2016 4-17-2016	WO0032068 CI0009223
Kenneth Freeman	Class D Water	9-10-2016	WO0033755

**TYLER COUNTY WATER
SUPPLY CORPORATION**

FINANCIAL STATEMENTS

December 31, 2012 and 2011

TYLER COUNTY WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS

December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Directors of
Tyler County Water Supply Corporation

We have audited the accompanying financial statements of Tyler County Water Supply Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of financial activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Thomas Stephen & Company, LLP

THOMAS STEPHEN & COMPANY, LLP
Dallas, Texas
March 28, 2013

TYLER COUNTY WATER SUPPLY CORPORATION
Statements of Financial Position
December 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 269,024	\$ 207,598
Restricted cash and cash equivalents	194,724	170,973
Prepaid expenses	21,097	11,165
Accounts receivable - trade (net of allowance for doubtful accounts of \$56,373 and \$45,818 for 2012 and 2011, respectively)	90,692	91,484
Total current assets	<u>575,537</u>	<u>481,220</u>
Noncurrent assets		
Restricted cash and cash equivalents	7,041	12,778
Certificates of deposit	182,121	180,489
Bond issuance costs, net	170,837	178,356
Property, plant and equipment, net	2,834,405	2,677,823
Total noncurrent assets	<u>3,194,404</u>	<u>3,049,446</u>
Total assets	<u>\$ 3,769,941</u>	<u>\$ 3,530,666</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 14,727	\$ 23,593
Accrued interest	27,560	18,344
Accrued expenses and other liabilities	53,851	44,461
Current portion - bonds payable	86,000	83,000
Total current liabilities	<u>182,138</u>	<u>169,398</u>
Long-term liabilities		
Bonds payable	1,781,000	1,627,000
Total noncurrent liabilities	<u>1,781,000</u>	<u>1,627,000</u>
Member's equity		
Contributed capital	465,000	465,000
Net assets		
Unrestricted	1,140,038	1,085,517
Restricted	201,765	183,751
Total net assets	<u>1,341,803</u>	<u>1,269,268</u>
Total liabilities and net assets	<u>\$ 3,769,941</u>	<u>\$ 3,530,666</u>

See accompanying notes.

TYLER COUNTY WATER SUPPLY CORPORATION
Statements of Financial Activities
for the years ended December 31, 2012 and 2011

	2012	2011
Revenue		
Water sales and fees	\$ 1,040,827	\$ 1,087,513
Other income	13,021	3,109
	<u>1,053,848</u>	<u>1,090,622</u>
Expenses		
Bad debts	10,555	7,468
Bond issuance cost amortization	9,469	9,440
Contract labor	8,083	13,111
Depreciation	250,703	226,142
Director's expense	5,677	4,674
Education	3,032	2,734
Gas and oil	42,690	49,311
Insurance	43,182	40,000
Legal and professional	20,351	29,870
Dues, subscriptions, licenses and fees	5,355	6,868
Miscellaneous	30,475	28,106
Postage and printing	15,614	14,777
Repairs and maintenance	28,649	26,164
Retirement expense	6,939	6,278
Salaries	265,500	278,301
Supplies - chemicals	24,836	47,690
Supplies - field and plant	28,471	36,921
Supplies - office	11,757	9,120
Payroll taxes	26,068	23,098
Telephone	5,223	6,079
Utilities	59,415	74,525
Total expenses	<u>902,044</u>	<u>940,677</u>
Net operating income	151,804	149,945
Other income (expense)		
Interest income	2,309	4,883
Interest expense	(83,578)	(60,619)
Gain on sale of fixed assets	2,000	-
Total other expense	<u>(79,269)</u>	<u>(55,736)</u>
Net income	72,535	94,209
Net assets, beginning of year	<u>1,269,268</u>	<u>1,175,059</u>
Net assets, end of year	<u>\$ 1,341,803</u>	<u>\$ 1,269,268</u>

See accompanying notes.

TYLER COUNTY WATER SUPPLY CORPORATION
Statements of Cash Flows
for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Net income	\$ 72,535	\$ 94,209
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	250,703	226,142
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	792	(3,605)
(Increase) decrease in prepaid expenses	(9,932)	169,147
Decrease in accounts payable	(8,866)	(5,648)
Increase in accrued liabilities	18,606	12,070
Net cash provided by operating activities	<u>323,838</u>	<u>492,315</u>
Cash flows from investing activities		
Increase in restricted cash and cash equivalents	(18,014)	(53,379)
Purchase of investments	(1,632)	(4,092)
Purchase of property and equipment	(407,285)	(911,129)
Net cash used in investing activities	<u>(426,931)</u>	<u>(968,600)</u>
Cash flows from financing activities		
Proceeds from debt issuance	240,000	585,000
Amortization	7,519	6,940
Principal payments on long-term debt	(83,000)	(81,434)
Net cash provided by financing activities	<u>164,519</u>	<u>510,506</u>
Net increase in cash and cash equivalents	61,426	34,221
Cash and cash equivalents, beginning of year	<u>207,598</u>	<u>173,377</u>
Cash and cash equivalents, end of year	<u>\$ 269,024</u>	<u>\$ 207,598</u>
Supplemental non-cash flow information		
Interest paid	<u>\$ 74,362</u>	<u>\$ 65,560</u>

See accompanying notes.

TYLER COUNTY WATER SUPPLY CORPORATION
Notes to Financial Statements
December 31, 2012 and 2011

1. Nature of Operations and Significant Accounting Policies

Tyler County Water Supply Corporation (the "Corporation") is a member-owned non-profit corporation incorporated pursuant to the provisions of Tex. Rev. Cit. Stat. Ann. Art. 1434a, as supplemented by the Texas Non-Profit Corporation Act, for the purpose of furnishing a potable water supply or sewer service or both to towns, cities, private corporations, individuals and others in and about the communities known as Fred, Spurger, Hillister, Rockland, Bethany, or Dies and Dam B or Town Bluff, all of which are in Tyler County, Texas. The Corporation currently provides water supply to approximately 2,000 members. The Corporation's water quality is regulated by the Texas Commission on Environmental Quality ("TCEQ").

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are carried at cost. The Corporation considers all checking accounts, petty cash accounts, and certificates of deposit with a term of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are carried at cost and reduced to the net collectible amount by an allowance for doubtful accounts. Accounts are considered doubtful as to collection when, in the opinion of management, they have been past due for a significant period of time (usually sixty days or more) with no payment performance.

Property and Equipment

Property, plant and equipment are recorded at cost. Major renewals and betterments including the original cost of construction or installation, the cost of contracted services, direct labor and materials, and appropriate overhead items are charged to the property accounts while replacements, maintenance and repairs which do not extend the life of the respective assets are expensed as incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

TYLER COUNTY WATER SUPPLY CORPORATION
Notes to Financial Statements
December 31, 2012 and 2011

1. Nature of Operations and Significant Accounting Policies (continued)

Depreciation

For financial reporting purposes, provisions for depreciation of property, plant and equipment are determined using the straight-line method. Estimated useful lives are as follows:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Water supply and distribution system	25-50 years
Buildings	10-30 years
Office furniture and equipment	3-20 years
Auto and transportation equipment	5-10 years

Use of Estimates

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

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code of 1986 and no provision for Federal income tax has been made in the accompanying financial statements.

In 2009, the Corporation adopted ASC 740-10 (previously FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"). ASC 740-10 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Although ASC 740-10 was adopted by the Corporation in fiscal 2009, no tax benefit existed, through December 31, 2012, that was subject to its recognition provisions. Generally the three prior tax years remain open for internal revenue service examination.

2. Employee Benefit Plans

Retirement Plan

The Corporation sponsors a defined contribution plan (SIMPLE IRA) for the benefit of its employees. For the year ended December 31, 2012 all full-time employees were eligible to participate in the retirement plan. The Corporation matched employees' contributions to the plan up to a maximum of 3% of each employee's compensation. The Corporation contributed approximately \$6,939 and \$6,278 for the years ended December 31, 2012 and 2011, respectively, on behalf of the eligible employees.

TYLER COUNTY WATER SUPPLY CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

2. Employee Benefit Plans (continued)

Other Benefits

For the years ended December 31, 2012 and 2011, the Corporation paid approximately \$24,804 and \$21,173, respectively, in health insurance premiums and to health savings accounts on behalf of its employees. These amounts are included in insurance expense on the accompanying statement of activities.

3. Concentrations

Substantially all of the Corporation's revenue is derived from water sales to individuals in Tyler County, Texas. As a result, the economic conditions in the Tyler County region have a significant impact on the results of operations of the Corporation.

4. Investments

FASB Accounting Standards Codification Topic 820 (ASC 820), Fair Value Measurements and Disclosures (previously FASB Statement No. 157, *Fair Value Measurements*), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TYLER COUNTY WATER SUPPLY CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

4. Investments (continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of Deposit: Valued using quoted prices for investments with similar yields.

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments held by the Corporation as of December 31, 2012 and 2011 consist of certificates of deposit that are considered level 2 assets. Realized and unrealized gains and losses that are related to market fluctuations are recognized in the period in which the change in market value occurs.

5. Restricted Cash

In accordance with debt and bond covenants, the Corporation maintains various separate cash accounts. As these accounts have been specified for use related to the servicing of the Corporation's long term debt obligations, they have been classified as restricted assets and are not included with other cash and cash equivalents. The Corporation maintains the following restricted cash accounts:

	2012	2011
Interest & sinking fund	\$ 34,742	\$ 73,605
Reserve fund	159,982	97,368
	<u>\$ 194,724</u>	<u>\$ 170,973</u>

Additionally, the Corporation established a Construction Fund restricted cash account in 2009 in compliance with the Texas Water Development Board Bonds. This account is used to fund the water systems improvement project. As a result, this account is classified as a noncurrent asset. At December 31, 2012 and 2011, the Construction Fund consisted of \$7,041 and \$12,778 in noncurrent restricted cash, respectively.

TYLER COUNTY WATER SUPPLY CORPORATION
Notes to Financial Statements
December 31, 2012 and 2011

6. Property, Plant, and Equipment

The Company's fixed assets at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Land	\$ 49,789	\$ 49,789
Building and improvements	46,214	40,557
Furniture, fixtures and equipment	63,271	46,388
Auto and other transportation equipment	513,314	501,560
Distribution system	2,614,833	2,612,472
Plants and storage tanks	1,074,090	1,074,090
Wells	884,142	593,971
Water Plants	546,221	502,243
Less: accumulated depreciation	(2,957,469)	(2,743,247)
	<u>\$ 2,834,405</u>	<u>\$ 2,677,823</u>

7. Notes Payable

At December 31, 2012 and 2011, notes payable consist of the following:

	2012	2011
Texas Water Development Board		
Water System Revenue Bonds, Series 2009A	\$ 670,000	\$ 450,000
Texas Water Development Board		
Water System Revenue Bonds, Series 2009B	861,000	922,000
Texas Water Development Board		
Water System Revenue Bonds, Series 2010	336,000	338,000
Total Notes Payable	<u>\$ 1,867,000</u>	<u>\$ 1,710,000</u>

The following is a schedule of future maturities for the years ending December 31:

2013	\$ 86,000
2014	89,000
2015	92,000
2016	96,000
2017	103,000
Thereafter	1,401,000
TOTAL	<u>\$ 1,867,000</u>

TYLER COUNTY WATER SUPPLY CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

7. Notes Payable (continued)

Effective September 1, 2009, the Corporation entered into an agreement with the Texas Water Development Board ("TWDB") for the issuance of Water System Revenue Bonds. The TWDB agreed to purchase the Corporation's Water System Revenue Bonds, Series 2009A, in the principal amount of \$1,250,000 and the Corporation's Water System Revenue Refunding Bonds, Series 2009B, in the principal amount of \$1,039,000. The Series 2009A Bonds were issued to pay for the planning, design, engineering, acquisition, and construction of the Corporation's planned water system improvements project. At December 31, 2012 and 2011, \$670,000 and \$450,000 of these bonds had been issued, respectively. The Series 2009B Bonds were issued to refund and refinance the outstanding notes payable to General Motor Acceptance Corporation. At December 31, 2012 and 2011, \$861,000 and \$922,000 of these bonds had been issued, respectively.

The Series 2009A Bonds will mature at fixed principal amounts annually beginning September 1, 2011 through September 1, 2040. The Series 2009B Bonds will mature at fixed principal amounts annually beginning September 1, 2010 through September 1, 2024. The 2013 interest rates for the Series 2009A and Series 2009B Bonds are 2.38% and 4.83%, respectively.

Effective May 1, 2010, the Corporation entered into an agreement with the Texas Water Development Board for the issuance of Water System Revenue Bonds. The TWDB agreed to purchase the Corporation's Water System Revenue Bonds, Series 2010, in the principal amount of \$775,000 and the Corporation's Water System Revenue Refunding Bonds, Series 2010, in the principal amount of \$775,000. At December 31, 2012 and 2011, \$336,000 and \$338,000 of these bonds had been issued, respectively. The Series 2010 Bonds were issued to pay for the planning, design, engineering, acquisition, and construction of the Corporation's planned water system improvements project.

The Series 2010 Bonds will mature at fixed principal amounts annually beginning December 31, 2011 through December 31, 2040 with no interest. Interest coupons are due semi-annually at escalating fixed annual interest rates excluding Series 2010 Bonds.

The bond indenture agreement also contains various covenants including, but not limited to, the maintenance of proper accounting records, requirement for an annual audit, limitations on incurrence of other debt or long-term leases, the proper maintenance and operation of the water system assets, the maintenance of sufficient insurance coverage, and the establishment and maintenance of specific funds.

The covenant pertaining to specific funds requires the Corporation to establish and maintain four specific funds: a Revenue Fund, an Interest and Sinking Fund, a Reserve Fund, and a Construction Fund. The Revenue Fund is maintained for the purpose of depositing of all gross revenues of the Corporation. The Interest and Sinking Fund is maintained for the purpose of accumulating and disbursing principal and interest payments on the notes. The Reserve Fund is maintained for the purpose of depositing sufficient amounts to equal average annual principal and interest payments. The Construction Fund is maintained for the purpose

TYLER COUNTY WATER SUPPLY CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

7. Notes Payable (continued)

of depositing of all funds received related to the construction of capital improvements to the Corporation's water system. Construction funds are disbursed by the TWDB only upon approval after receipt of written authorization from the Corporation's Board of Directors.

At December 31, 2012, the Corporation met the requirements of all covenants.

8. Contingencies

The Corporation is involved in a lawsuit brought about by two former employees. There has been no significant activity with the lawsuit in 2012, as such, the outcome is not determinable at this time. The Corporation has insurance coverage in place and management believes any potential settlement or verdict will be paid by the insurance carrier. The related legal fees are currently being paid by the insurance carrier.

9. Water Rates

The following is a schedule of water rates for 2012:

Description	2012
Minimum Monthly Charge (no water included)	
5/8" x 3/4" water meter	\$ 25.00
1" water meter	\$ 52.00
1 1/2" water meter	\$ 65.50
2" water meter	\$ 80.00
Bulk water	\$ 135.00
Volumetric Water Rates (per 1,000 gallons of usage)	
First tier (0 gallons - 2,000 gallons)	\$ 3.50
Second tier (2,001 - 5,000 gallons)	\$ 5.25
Third tier (5,001 - 10,000 gallons)	\$ 5.90
Fouth tier (over 10,001 gallons)	\$ 6.25

Other fees charged by the Corporation include the following:

Description	2012
Returned check fee	\$ 35.00
Basic service call for property owner	\$ 20.00
Reconnect service fee	\$ 30.00
Membership fee	\$ 100.00
Tap fee	\$ 550.00
Late charge fee	10% of water bill

Members are also subject to a .005% assessment payable to the Texas Commission on Environmental Quality.

TYLER COUNTY WATER SUPPLY CORPORATION
Notes to Financial Statements
December 31, 2012 and 2011

10. Subsequent Events

The Corporation has evaluated subsequent events through March 28, 2013, the date which the financial statements were available to be issued. The Corporation has no subsequent events to report.

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Accrual Basis

Tyler County Water Supply Corporation OPERATIONS

January through October 2013

	Jan - Oct 13	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
4500 · Water Sales	807,681.04	789,167.34	18,513.70
4503 · Service Installation Fees	14,700.00	15,732.66	-1,032.66
4506 · Penalties/Late Charges	18,494.45	16,000.00	2,494.45
4509 · Disconnects/Reconnects	10,795.00	9,732.00	1,063.00
4512 · Other Fees/Charges	24,086.07	25,168.00	-1,081.93
4518 · Interest Income	516.79	416.66	100.13
4521 · Miscellaneous Income	1,845.00	1,000.00	845.00
Total Income	878,118.35	857,216.66	20,901.69
Gross Profit	878,118.35	857,216.66	20,901.69
Expense			
6102 · Salaries (full time)	206,850.82	204,834.00	2,016.82
6104 · Salaries (Part-time)	15,052.08	12,000.00	3,052.08
6106 · Overtime	12,335.07	12,168.00	167.07
6107 · Temporary Workers Pay	2,693.13	3,000.00	-306.87
6108 · Employee Incentives	7,240.00	7,633.00	-393.00
6109 · On-call & Mileage	2,880.04	2,333.34	546.70
6110 · Payroll Taxes	20,336.95	21,584.00	-1,247.05
6112 · Employee Retirement	6,244.37	6,666.66	-422.29
6114 · Employee Insurance	21,030.10	21,300.00	-269.90
6116 · Employee Health Expenses	17,500.00	17,666.66	-166.66
6118 · Safety	607.99	416.66	191.33
6120 · Uniforms	184.85	666.66	-481.81
6122 · Training- Courses/Manuals	2,459.42	1,700.00	759.42
6124 · Training - Lodging/Meals	1,197.00	833.34	363.66
6126 · Director Expenses	3,550.00	3,467.34	82.66
6128 · Contract Services	1,000.00	2,500.00	-1,500.00
6130 · Bookkeeping Service	4,037.50	5,668.00	-1,630.50
6132 · Auditing Service	7,432.00	8,333.34	-901.34
6134 · Legal Service	1,246.07	2,768.00	-1,521.93
6136 · Engineering Service	213.90	833.34	-619.44
6138 · Insurance and Bonds	15,057.50	16,666.66	-1,609.16
6140 · Permits and Fees	0.00	4,583.34	-4,583.34
6142 · Dues/Subscr./Licenses	2,542.00	2,500.00	42.00
6144 · Office Supplies	4,993.79	5,752.00	-758.21
6146 · Printing/Copying	3,120.73	3,750.00	-629.27
6148 · Office Equipment R&M	7,637.20	4,000.00	3,637.20
6150 · Buildings R&M	0.00	500.00	-500.00
6152 · Janitorial Services	540.00	600.00	-60.00
6154 · Sanitation Service	570.00	583.34	-13.34
6156 · Postage - Monthly Bills	6,767.30	7,333.34	-566.04
6157 · Postage - Other	1,532.61	1,532.00	0.61
6159 · Answering Service	743.62	750.00	-6.38
6160 · Telephone-Office	3,185.66	3,300.00	-114.34
6161 · Field Communications	2,785.60	3,066.66	-281.06
6162 · Control/Alarm System	4,915.74	3,966.66	949.08
6164 · Electricity-Office & Shop	4,386.30	4,016.70	369.60
6166 · Electricity - Production	38,510.86	45,000.00	-6,489.14
6168 · Fuel and Oil	30,498.52	36,334.00	-5,835.48
6170 · Vehicles O&M	10,522.32	11,834.00	-1,311.68
6171 · Trailers O&M	1,266.00	1,167.34	98.66
6172 · Backhoe O&M	0.00	2,000.00	-2,000.00
6173 · Excavator/Trencher O&M	1,219.08	1,916.66	-697.58
6175 · Other Equipment O&M	1,867.30	1,500.00	367.30
6176 · Small and Large Tools	691.56	1,266.66	-575.10
6178 · Equipment Rental	165.00	1,866.66	-1,701.66
6180 · R&M Electrical-Office	0.00	416.66	-416.66
6182 · R&M Electrical-Prod.	1,803.67	3,000.00	-1,196.33
6184 · R&M Production	3,947.54	3,166.66	780.88
6186 · R&M Pumps	0.00	3,333.34	-3,333.34
6190 · Chemicals - C12 & Bleach	8,143.00	6,666.66	1,476.34
6191 · Chemicals - Seq. Agent	4,813.00	6,666.66	-1,853.66
6193 · Chemicals - Other	914.00	416.66	497.34

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Accrual Basis

Tyler County Water Supply Corporation

OPERATIONS

January through October 2013

	Jan - Oct 13	Budget	\$ Over Budget
6195 · Sampling and Testing	6,699.53	7,500.00	-800.47
6197 · SE Groundwater CD	1,155.90	1,533.32	-377.42
6200 · Dist. System Supplies	7,297.25	13,333.34	-6,036.09
6202 · Distr. System R&M	3,668.57	12,500.00	-8,831.43
6204 · Dirt and Fill Material	488.84	1,333.32	-844.48
6208 · Bad Debts	0.00	416.66	-416.66
6210 · Bank Charges	950.83	766.68	184.15
6212 · Interest EXPENSE	0.00	0.00	0.00
6214 · Annual Meeting	522.00	600.00	-78.00
6218 · Depreciation/Cap. Expend. Trf	105,666.00	104,000.00	1,666.00
6222 · Notes Payable & interest exps	123,345.00	133,332.00	-9,987.00
6223 · SWP program	310.17	833.34	-523.17
6224 · Miscellaneous Expense	7,984.12	6,334.00	1,650.12
Total Expense	755,319.40	808,307.66	-52,988.26
Net Ordinary Income	122,798.95	48,909.00	73,889.95
Net Income	122,798.95	48,909.00	73,889.95

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Accrual Basis

Tyler County Water Supply Corporation
CAPITAL IMPROVEMENTS
 January through October 2013

	<u>Jan - Oct 13</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Other Income/Expense			
Other Income			
7500 · Depreciation (Transfer)	101,666.00	104,000.00	-2,334.00
7520 · Other Income	7,012.28		
Total Other Income	<u>108,678.28</u>	<u>104,000.00</u>	<u>4,678.28</u>
Other Expense			
1080 · Suspense/SUD conversion	2,534.23		
8010 · Building & Improvements	400.48	500.00	-99.52
8100 · Vehicles	20,038.27	6,000.00	14,038.27
8110 · Mobile Equipment	6,782.53	5,000.66	1,781.87
8150 · Other Equipment	3,663.66	1,333.32	2,330.34
8200 · Stationary Equipment	3,869.05		
8210 · Wells	4,407.51	21,666.68	-17,259.17
8220 · Water Plants	29,688.77	12,666.68	17,022.09
8300 · Distribution System	8,473.06	4,833.32	3,639.74
8350 · AMR Metering System	14,522.38	9,333.32	5,189.06
8400 · Furniture & Fixtures	1,538.21	1,500.00	38.21
8410 · Office Equipment	2,024.97		
Total Other Expense	<u>97,943.12</u>	<u>62,833.98</u>	<u>35,109.14</u>
Net Other Income	<u>10,735.16</u>	<u>41,166.02</u>	<u>-30,430.86</u>
Net Income	<u><u>10,735.16</u></u>	<u><u>41,166.02</u></u>	<u><u>-30,430.86</u></u>

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Accrual Basis

Tyler County Water Supply Corporation
Balance Sheet
 As of October 31, 2013

	<u>Oct 31, 13</u>	<u>Sep 30, 13</u>	<u>\$ Change</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
3000 · Accounts Payable	59,609.30	10,242.99	49,366.31
Total Accounts Payable	<u>59,609.30</u>	<u>10,242.99</u>	<u>49,366.31</u>
Other Current Liabilities			
3022 · Accrued Interest and Principal	61,938.29	49,549.29	12,389.00
3387 · AFLAC PAYABLE	185.67	123.78	61.89
3388 · SUTA PAYABLE	0.01	0.20	-0.19
3390 · Accrued Vacation	5,545.75	5,545.75	0.00
3455 · Membership Fees Held on Deposit	54,140.00	52,515.00	1,625.00
3456 · TCEQ Fees Collected	2,360.79	1,974.02	386.77
3530 · Contra Current Long-Term Debt	81,012.00	81,012.00	0.00
Total Other Current Liabilities	<u>205,182.51</u>	<u>190,720.04</u>	<u>14,462.47</u>
Total Current Liabilities	<u>264,791.81</u>	<u>200,963.03</u>	<u>63,828.78</u>
Long Term Liabilities			
3001 · TWDB LOAN 2009A	820,000.00	820,000.00	0.00
3002 · TWDB-2009B	797,000.00	797,000.00	0.00
3003 · TWDB - SERIES 2010 BONDS	429,000.00	394,000.00	35,000.00
3531 · Contra Long-Term Debt	-81,012.00	-81,012.00	0.00
Total Long Term Liabilities	<u>1,964,988.00</u>	<u>1,929,988.00</u>	<u>35,000.00</u>
Total Liabilities	<u>2,229,779.81</u>	<u>2,130,951.03</u>	<u>98,828.78</u>
Equity			
30000 · Opening Bal Equity	-0.46	-0.46	0.00
32000 · Unrestricted Net Assets	218,548.61	218,548.61	0.00
4420 · Fund Balance -Unappropriated	-119,167.00	-119,167.00	0.00
4421 · Opening Equity-carryover	119,167.00	119,167.00	0.00
4423 · Reserved Equity	220,229.00	220,229.00	0.00
4424 · Contra unreserved equity	903,026.00	903,026.00	0.00
5200 · Contributed Capital	465,000.00	465,000.00	0.00
Net Income	133,534.11	132,382.49	1,151.62
Total Equity	<u>1,940,337.26</u>	<u>1,939,185.64</u>	<u>1,151.62</u>
TOTAL LIABILITIES & EQUITY	<u><u>4,170,117.07</u></u>	<u><u>4,070,136.67</u></u>	<u><u>99,980.40</u></u>

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hands, this the 21 day of May, 1965.

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ER REC. NO. 3 COMMISSIONER REC. NO. 4

[illegible]

Authentication, was filed in my office on the 21st

_____ of said County, _____ 21st

J. H. Sawyer
 Clerk, County Court, Tyler County, Texas.
 Deputy.

SECRET

1000

SCALE 1" = 100 FEET

CORNERS AK'D. WITH IRON RODS