

5. Existing System Information

A. Effect of Granting a Certificate Amendment.

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: N/A

6. FINANCIAL INFORMATION

6. FINANCIAL INFORMATION

- A.** For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:
- 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 retail 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.

Historical Balance Sheets

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
| CURRENT ASSETS | | | | | | |
| Cash | 603,523 | 96,719 | 793,410 | 891,376 | 192,239 | 375,884 |
| Accounts Receivable | 407,182 | 402,392 | 429,568 | 358,006 | 383,212 | 322,018 |
| Inventories | 18,854 | 22,040 | 30,089 | 37,386 | 38,654 | 34,207 |
| Prepaid Other | 20,898 | 17,791 | 48,229 | 15,195 | 15,454 | 21,780 |
| Short-Term Investment | 2,353,023 | 2,111,557 | 1,053,457 | 1,058,473 | 342,367 | 1,429,014 |
| Total | 3,403,480 | 2,650,499 | 2,354,753 | 2,360,436 | 971,926 | 2,182,903 |
| FIXED ASSETS | | | | | | |
| Land | 13,000,733 | 12,847,818 | 11,845,428 | 11,718,679 | 11,274,341 | 10,477,867 |
| Construction in Progress | 2,304,457 | 2,075,685 | 1,348,534 | 306,313 | 498,751 | 491,808 |
| Buildings | 974,563 | 974,563 | 974,563 | 974,563 | 974,563 | 84,130 |
| Equipment | 1,120,121 | 1,059,357 | 843,220 | 777,269 | 741,234 | 727,428 |
| Other & Water Rights | 3,035,530 | 2,709,306 | 2,711,126 | 2,791,714 | 2,911,711 | 2,887,961 |
| Less: Accum. Depreciation or Reserves | 5,025,405 | 4,583,903 | 4,182,829 | 3,854,580 | 3,548,638 | 3,222,124 |
| Total | 15,409,999 | 15,082,826 | 13,540,042 | 12,713,958 | 12,851,962 | 1,147,070 |
| TOTAL ASSETS | 18,813,479 | 17,733,325 | 15,894,795 | 15,074,394 | 13,823,888 | 13,629,973 |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | 178,487 | 137,669 | 33,102 | 111,360 | 291,568 | 74,996 |
| Notes Payable, Current | 230,059 | 211,310 | 146,657 | 131,925 | 139,467 | 130,498 |
| Accrued Expenses | 12,463 | 14,831 | 28,432 | 23,350 | 26,692 | 688 |
| Other, Interest Payable | 58,736 | 42,060 | 48,355 | 51,650 | 48,541 | 61,477 |
| Total | 479,745 | 405,870 | 556,546 | 318,285 | 5,062,686 | 267,659 |
| LONGTERM LIABILITIES | | | | | | |
| Notes Payable, Long term | 6,027,926 | 6,259,019 | 4,934,009 | 5,215,943 | 5,225,240 | 5,373,654 |
| Other | | | | | | |
| TOTAL LIABILITIES | 6,507,671 | 6,664,889 | 5,490,555 | 5,534,228 | 5,731,508 | 5,641,313 |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | | | | 583,875 | | 360,052 |
| Retained Equity | 12,305,808 | 11,068,436 | 10,404,240 | 8,956,291 | 8,092,380 | 7,628,608 |
| Other | | | | | | |
| Current Period Profit or Loss | | | | | | |
| TOTAL OWNER'S EQUITY | 12,305,808 | 11,068,436 | 10,404,240 | 9,540,166 | 8,092,380 | 7,988,660 |
| TOTAL LIABILITIES AND EQUITY | 18,813,479 | 17,733,325 | 15,894,795 | 15,074,394 | 13,823,888 | 13,629,973 |
| WORKING CAPITAL CA-CL | 2,923,735 | 2,244,629 | 1,798,207 | 2,042,151 | 465,658 | 1,915,244 |
| CURRENT RATIO CA - CL | 7.09 | 6.53 | 4.23 | 7.42 | 1.92 | 8.16 |
| DEBT TO EQUITY RATIO TL - EQ | 0.65 | 0.6 | 0.53 | 0.59 | 0.71 | 0.71 |
| EQUITY TO TOTAL ASSETS | 0.65 | 0.624 | 0.65 | 0.63 | 0.56 | 0.59 |

Historical Income Statement

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
| METER NUMBER | | | | | | |
| Existing Number of Taps | 4937 | 4909 | 4798 | 4385 | 4219 | 4148 |
| New Taps per Year | 123 | 28 | 111 | 413 | 166 | 71 |
| Total Meters at Year End | 5060 | 4937 | 4909 | 4798 | 4385 | 4219 |
| METER REVENUE | | | | | | |
| Fees Per Meter | 882 | 864 | 821 | 892 | 748 | 804 |
| Cost Per Meter | 812 | 782 | 706 | 750 | 767 | 734 |
| Operating Revenue Per Meter | 1056 | 917 | 1001 | 930 | 873 | 913 |
| GROSS WATER REVENUE | | | | | | |
| Fees | 4465399 | 4263761 | 4032265 | 4278886 | 3279180 | 3392531 |
| Other | 879245 | 262501 | 882262 | 184249 | 549777 | 458210 |
| Gross Income | 5344644 | 4526262 | 4914527 | 4463135 | 3828957 | 3850741 |
| OPERATING EXPENSES | | | | | | |
| General & Administrative | 3866708 | 3679130 | 3268112 | 3369931 | 3043608 | 2712675 |
| Interest | 240564 | 182936 | 198466 | 229293 | 321577 | 382374 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| NET INCOME | 1237372 | 664196 | 1447949 | 863911 | 463772 | 755692 |

Historical Expenses Statement

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------------|-------------|-------------|-------------|-------------|-------------|
| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries | 547,962 | 535,998 | 492,991 | 465,690 | 475,080 | 412,619 |
| Office Expense & Supplies | 152,962 | 149,181 | 110,737 | 97,361 | 91,910 | 84,532 |
| Insurance Expense | 151,339 | 124,808 | 91,461 | 97,162 | 97,065 | 96,588 |
| Telephone Expense & Utilities Expense | 233,923 | 176,358 | 169,028 | 183,569 | 161,992 | 163,806 |
| Depreciation Expense | 461,426 | 401,074 | 364,670 | 352,240 | 326,514 | 308,304 |
| Professional Fees/ Legal | 500,974 | 441,234 | 249,106 | 369,026 | 396,369 | 209,609 |
| Other | 2,058,686 | 2,033,413 | 1,988,585 | 2,034,176 | 1,816,255 | 1,819,591 |
| Total | 3,862,066 | 3,862,066 | 3,466,578 | 3,599,224 | 3,365,185 | 3,095,049 |
| % Increase Per Year | 0.0 | 11.4 | -3.7 | 7.0 | 8.7 | 13.6 |
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | | | | | | |
| Auto Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Repair & Maintenance | | | | | | |
| Supplies | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | | | | | | |
| ASSUMPTIONS | | | | | | |
| Interest Rate/Terms | 240,564 | 182,936 | 198,466 | 229,293 | 321,577 | 382,374 |
| Utility Cost/gal. | 0.00040 | 0.00030 | 0.00028 | 0.00028 | 0.00030 | 0.00029 |
| Depreciation Schedule | 5,025,405 | 4,583,903 | 4,182,829 | 3,854,580 | 3,548,638 | 3,222,124 |
| Other | | | | | | |

Projected Balance Sheets

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| CURRENT ASSETS | | | | | | |
| Cash | 603523 | 615593 | 627905 | 640463 | 653273 | 666338 |
| Accounts Receivable | 407182 | 415326 | 423632 | 432105 | 440747 | 449562 |
| Inventories | 18854 | 19231 | 19616 | 20008 | 20408 | 20816 |
| Income Tax Receivable | 20898 | 21316 | 21742 | 22177 | 22621 | 23073 |
| Other | 2353023 | 2400083 | 2448085 | 2497047 | 2546988 | 2597928 |
| Total | 3403480 | 3471550 | 3540981 | 3611800 | 3684036 | 3757717 |
| FIXED ASSETS | | | | | | |
| Land | 13000733 | 13260748 | 13525963 | 13796482 | 14072412 | 14353860 |
| Collection/Distribution System | 2304457 | 2350546 | 2397557 | 2445508 | 2494418 | 2544307 |
| Buildings | 974563 | 994054 | 1013935 | 1034214 | 1054898 | 1075996 |
| Equipment | 1120121 | 1142523 | 1165374 | 1188681 | 1212455 | 1236704 |
| Other | 3035530 | 3096241 | 3158165 | 3221329 | 3285755 | 3351470 |
| Less: Accum. Depreciation or Reserves | 5025405 | 5125913 | 5228431 | 5333000 | 5439660 | 5548453 |
| Total | 15409999 | 15718199 | 16032563 | 16353214 | 16680279 | 17013884 |
| TOTAL ASSETS | 18813479 | 19189749 | 19573544 | 19965014 | 20364315 | 20771601 |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | 178487 | 182057 | 185698 | 189412 | 193200 | 197064 |
| Notes Payable, Current | 230059 | 234660 | 239353 | 244140 | 249023 | 254004 |
| Accrued Expenses | 12463 | 12712 | 12967 | 13226 | 13490 | 13760 |
| Other | 58736 | 59911 | 61109 | 62331 | 63578 | 64849 |
| Total | 479745 | 489340 | 499127 | 509109 | 519291 | 529677 |
| LONGTERM LIABILITIES | | | | | | |
| Notes Payable, Long term | 6027926 | 6148485 | 6271454 | 6396883 | 6524821 | 6655317 |
| Other | | | | | | |
| TOTAL LIABILITIES | 6507671 | 6637824 | 6770581 | 6905993 | 7044112 | 7184995 |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | | | | 583875 | | 360052 |
| Retained Equity | 12305808 | 12551924 | 12802963 | 13059022 | 13320202 | 13586606 |
| Other | | | | | | |
| Current Period Profit or Loss | | | | | | |
| TOTAL OWNER'S EQUITY | 12305808 | 12551924 | 12802963 | 13059022 | 13320202 | 13586606 |
| TOTAL LIABILITIES AND EQUITY | 18813479 | 19189749 | 19573544 | 19965014 | 20364315 | 20771601 |
| WORKING CAPITAL | 2923735 | 2982210 | 3041854 | 3102691 | 3164745 | 3228040 |
| CURRENT RATIO | 7 | 7 | 7 | 8 | 8 | 8 |
| DEBT TO EQUITY RATIO | 1 | 1 | 1 | 1 | 1 | 1 |
| EQUITY TO TOTAL ASSETS | 1 | 1 | 1 | 1 | 1 | 1 |

Projected Income Statement - WATER

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | 4937 | 5060 | 5164 | 5317 | 5491 | 5660 |
| New Taps per Year | 123 | 104 | 153 | 174 | 169 | 104 |
| Total Meters at Year End | 5060 | 5164 | 5317 | 5491 | 5660 | 5764 |
| METER REVENUE | | | | | | |
| Fees Per Meter | 882 | 882 | 874 | 863 | 854 | 855 |
| Cost Per Meter | 812 | 764 | 757 | 747 | 739 | 741 |
| Operating Revenue Per Meter | 1056 | 1056 | 1046 | 1033 | 1022 | 1024 |
| GROSS WATER REVENUE | | | | | | |
| Fees | 4465399 | 4554707 | 4645801 | 4738717 | 4833491 | 4930161 |
| Other | 879245 | 896830 | 914766 | 933062 | 951723 | 970758 |
| Gross Income | 5344644 | 5451537 | 5560568 | 5671779 | 5785215 | 5900919 |
| OPERATING EXPENSES | | | | | | |
| General & Administrative | 3866708 | 3944042 | 4022923 | 4103381 | 4185449 | 4269158 |
| Interest | 240564 | 245375 | 250283 | 255288 | 260394 | 265602 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| NET INCOME | 1237372 | 1262119 | 1287362 | 1313109 | 1339371 | 1366159 |

Projected Income Statement - WASTE WATER

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|------|------|-------|-------|-------|-------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | 0 | 0 | 0 | 49 | 119 | 184 |
| New Taps per Year | 0 | 0 | 49 | 70 | 65 | 60 |
| Total Meters at Year End | 0 | 0 | 49 | 119 | 184 | 244 |
| METER REVENUE | | | | | | |
| Fees Per Meter | 0 | 0 | | | | |
| Cost Per Meter | 0 | 0 | 272 | 272 | 272 | 210 |
| Operating Revenue Per Meter | 0 | 0 | | | | |
| GROSS WW REVENUE | | | | | | |
| Fees | 0 | 0 | | | | |
| Other | 0 | 0 | | | | |
| Gross Income | 0 | 0 | | | | |
| OPERATING EXPENSES | | | | | | |
| General & Administrative | 0 | 0 | 13375 | 32483 | 50225 | 51230 |
| Interest | 0 | 0 | | | | |
| Other | 0 | 0 | | | | |
| NET INCOME | 0 | 0 | | | | |

Projected Expenses Statement - WATER

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries | 547962 | 558921 | 570100 | 581502 | 593132 | 604994 |
| Office Expense | 152962 | 156021 | 159142 | 162324 | 165571 | 168882 |
| Computer Expense | | | | | | |
| Auto Expense | | | | | | |
| Insurance Expense | 151339 | 154366 | 157453 | 160602 | 163814 | 167090 |
| Telephone Expense | | | | | | |
| Utilities Expense | 233923 | 238601 | 243373 | 248241 | 253206 | 258270 |
| Depreciation Expense | 461426 | 470655 | 480068 | 489669 | 499462 | 509452 |
| Property Taxes | | | | | | |
| Professional Fees | 500974 | 510993 | 521213 | 531638 | 542270 | 553116 |
| Other | 2058686 | 2099860 | 2141857 | 2184694 | 2228388 | 2272956 |
| Total | 4107272 | 4189417 | 4273206 | 4358670 | 4445843 | 4534760 |
| % Increase Per Year | | | | | | |
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | | | | | | |
| Auto Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Repair & Maintenance | | | | | | |
| Supplies | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | | | | | | |
| ASSUMPTIONS | | | | | | |
| Interest Rate/Terms | 240564 | 245375 | 250283 | 255288 | 260394 | 265602 |
| Utility Cost/gal. | 0.00034 | 0.00031 | 0.00028 | 0.00026 | 0.00024 | 0.00022 |
| Depreciation Schedule | 5025405 | 5125913 | 5228431 | 5333000 | 5439660 | 5548453 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |

Projected Expenses Statement - WASTE WATER

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|----------|----------|--------------|--------------|--------------|--------------|
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | 0 | 0 | | | | |
| Auto Expense | 0 | 0 | | | | |
| Utilities Expense | 0 | 0 | | | | |
| Depreciation Expense | 0 | 0 | | | | |
| Repair & Maintenance | 0 | 0 | 10207 | 24790 | 38331 | 39098 |
| Supplies | 0 | 0 | | | | |
| Other | 0 | 0 | 3168 | 7578 | 11894 | 12132 |
| Total | 0 | 0 | 13375 | 32368 | 50225 | 51230 |

Projected Sources and Uses of Cash Statements

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| SOURCES OF CASH | | | | | | |
| Net Income | 250773 | 255788 | 260904 | 266122 | 271445 | 276874 |
| Depreciation (if funded) | 497497 | 507447 | 517596 | 527948 | 538507 | 549277 |
| Loan Proceeds | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Sources | 748270 | 763235 | 778500 | 794070 | 809952 | 826151 |
| USES OF CASH | | | | | | |
| Net Loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Principle Portion of Pmts. | 212344 | 216591 | 220923 | 225341 | 229848 | 234445 |
| Fixed Asset Purchase | 793022 | 808882 | 825060 | 841561 | 858393 | 875560 |
| Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL USES | 1005366 | 1025473 | 1045983 | 1066902 | 1088240 | 1110005 |
| NET CASH FLOW | | | | | | |
| DEBT SERVICE COVERAGE | | | | | | |
| Cash Available for Debt | 6 | 7 | 7 | 7 | 7 | 7 |
| Service (CADS) | | | | | | |
| Net Income (Loss) | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation, or Reserve Interest | | | | | | |
| TOTAL | 748270 | 763235 | 778500 | 794070 | 809952 | 826151 |
| REQUIRED DEBT SERVICE (RDS) | | | | | | |
| Principle Plus Interest | 456792 | 456792 | 456793 | 456792 | 456791 | 456791 |
| DEBT SERVICE COVERAGE RATIO | | | | | | |
| CADS Divided by RDS | 0.55 | 0.56 | 0.57 | 0.58 | 0.59 | 0.61 |

RATES AND SERVICE FEES

THE CROSSINGS

Effective June 1, 2015

Purpose:

The wastewater rates and services charges contained in this special section are specific to The Crossings, a residential development located insert geographic description. All water rates and services charges are listed in Section G of the Crystal Clear SUD Rules and Regulations.

These wastewater rates and services charges shall take effect upon delivery of service to each residential unit.

1. Class of User:

All users in The Crossings of the District's wastewater services are identified as residential users and the rates and charges herein are for wastewater service only. For Water Service Rates and Charges, refer to Section G of the Rules and Regulations.

2. Deposit(s):

At the time of application of service is approved, the applicant shall pay a Deposit for both water and wastewater to be held by the District, without interest, until settlement of customer's final bill. The Deposit shall be used to offset unpaid charges or bills.

a. Residential applicants only

b. The Deposit for residential wastewater service is \$50 (See Section G for Water Service Deposit).

3. Easement Fee:

When the District determines that private way utility easements and/or easements for facility sites are necessary to provide service to an applicant, the applicant shall be required to make a good faith effort to secure such easements on behalf of the District or pay all costs incurred by the District to validate, clear and obtain such easements, including but not limited to legal fees and court costs, in addition to tap fees and inspections fees otherwise required pursuant to the provisions of the Rules and Regulations [See Sections E.2(c)(2) and F.7(a)].

4. Septic Tank Effluent Pumping (STEP) Unit Installation:

a. Unless the developer has already completed the installation of the STEP Unit per the District's and the TCEQ's specifications and requirements and conveyed it to the District, the District shall charge a connection fee for Wastewater Capacity Fee of \$2500 for standard STEP Unit service connection plus the actual costs for all labor, materials for construction, installation of the STEP Unit.

b. Additionally, the District will charge the following fees associated with the installation and connection by either party of the STEP Unit to the District's low pressure force main. These fees consist of an inspection fee of \$200 for each stage of the installation:

(1) At the time of excavation and readying of the site for installation with all of the proper sizing and bedding (See CCR's);

(2) placement of the certified STEP Unit in the excavated site to ensure proper fit and fill material is used;

(3) completion of the installation to ensure proper dressing and completion of the installation;

(4) and, at the time of connection of the STEP Unit to the low pressure force main to ensure that it meets all TCEQ requirement.

5. Wastewater Service Capacity Reservation Fee:

The District shall charge a Wastewater Service Capacity Reservation Fee of \$25 per month to either the developer or property owner (where the owner has not yet completed construction of the residence prior to being connected to the District's collection system).

6. Monthly Base Wastewater Service Fee:

The Monthly base Wastewater Service Fee for a residence whose STEP Unit has been installed and connected, including all applicable approved inspections, shall be \$33.64. The Monthly Base Fee will be evaluated yearly and may be adjusted to ensure that all costs covering the Operations and Maintenance of the District's Wastewater System are met.

7. Monthly Wastewater Usage Fee:

The Monthly Wastewater Usage Fee for a residential unit covers the costs for processing the effluent created by the specific unit. The cost is determined utilizing the monthly amount of water used by the residential unit. If the water usage amount is greater than 5,000 gallons per month, the wastewater usage fee is calculated at 0.60 times \$4.87/1000 gallons. If the water usage amount is less than 5,000 gallons per month, the usage fee is calculated at 0.60 times \$4.43. Examples:

- a. Residence with monthly water usage of 7,500 gallons $\times 0.60 = 4,500$ gallons $\times \$4.87 = \21.915 Wastewater Usage Fee
- b. Residence with monthly water usage of 3,000 gallons $\times 0.60 = 1800$ gallons $\times \$4.43 = \7.974 Wastewater Usage Fee

8. Maintenance and Repair of Wastewater Treatment and Collection System:

The District is responsible for all maintenance and operation of the Wastewater Treatment and Collection System upon completion of the first residential unit in the development and after all of the facilities has been properly inspected by and conveyed to the District by the developer. The individual residential property owner has a responsibility to use the wastewater facilities in a proper manner, i.e.,

- a. No poisonous, flammable or hazardous material(s) shall be inserted into or sent into the system (STEP Unit). Should this occur, the owner shall be responsible for all damage and repair required to the system, regardless of where it occurs. Testing will be done should an event warrant it to determine the cause, and proper action taken by the District, including disconnection of both water and wastewater service, should circumstances prove that these materials are present in the system/STEP Unit.
- b. Under normal household conditions the buildup of sludge and grease in the STEP Unit will not create a problem and is included as part of the District's normal maintenance procedures which call for a STEP Unit Clean Up (sludge and grease removal) on a 10 year cycle. However, if abnormal buildup of sludge or grease is noted in the STEP Unit that may require a STEP Unit Clean Up in less than the 10 year cycle, the account will be notified and charged, at cost for removal of excess sludge and grease plus a District handling fee of \$100, for maintenance procedure. Note: routine inspection, including the noting of the buildup of sludge and grease occurs every three (3) months at each STEP Unit. Early detection of abnormal buildup will be noted to the individual household so that remedial steps can be taken to avoid any early STEP Unit Clean Up; however, if the abnormal buildup continues, then the foregoing action will occur which may include in the case of excessive buildup of grease, the installation of a grease trap at the property owner's expense.

- c. The STEP Unit is connected to a monitoring and alarm unit mounted close-by. This monitoring and alarming unit measures and detects any problems associated with the operation of the STEP Unit and should an event occur that warrants attention, the light will flash and the alarm will continue to flash and sound on the monitoring and alarming unit until the unit reset has been by the District's service technicians. Anyone noticing the flashing of the light and the alarm sounding is advised to call the emergency located on the monitoring and alarm box/unit.