



Control Number: 47027



Item Number: 1

Addendum StartPage: 0



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Chapter 13.251 of the Texas Water Code

Docket Number: 47027

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

RECEIVED
2017 APR -4 PM 2:16
PUBLIC UTILITY COMMISSION
FILING CLERK

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System
1700 N. Congress Ave, Room B40
Austin, Texas 78701

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Part A – General Information

*RN# *CN# * (PRIOR TCEQ ID numbers)

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

<input type="checkbox"/> Sale of	<input type="checkbox"/> All	<input type="checkbox"/> Portion of the	<input type="checkbox"/> Water system(s) under CCN No.:	<input type="text"/>
<input type="checkbox"/> Acquisition			<input type="checkbox"/> Sewer system(s) under CCN No.:	<input type="text"/>
<input type="checkbox"/> Lease/Rental				

<input checked="" type="checkbox"/> Transfer of	<input type="checkbox"/> All	<input checked="" type="checkbox"/> Portion of the	<input type="checkbox"/> Certificated water service area – CCN No.:	<input type="text" value="10294"/>
			<input type="checkbox"/> Certificated sewer service area – CCN No.:	<input type="text"/>

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

Addresses from Fayette/Bastrop county line on Rosanky/Cistern Road to address 497 Cistern Road. Some residents along Robbins Cemetary Road, Patterson Road, Migl-Psencik Road, and Hellingner Road.

and to:

** Purchaser will obtain a portion of existing Water CCN No. 10294 **

<input checked="" type="checkbox"/> Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN	<input type="text"/>
<input type="checkbox"/> Amend the transferee's CCN No.:	<input type="text"/>
<input type="checkbox"/> Merge or consolidate public utilities	<input type="text"/>
<input checked="" type="checkbox"/> Cancel CCN of the transferor (seller)	transfer a portion of existing CCN to purchaser

2. Proposed effective date of this transaction:

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

Part B – Current Service Provider or Seller Information

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: <input type="text" value="Perry Steger"/>	Title: <input type="text" value="P.E., Engineer of Record"/>
Address: <input type="text" value="1978 S. Austin Avenue"/>	Telephone: (AC) <input type="text" value="(512) 930-9412"/>

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? NA - No retail water service has been provided in this area, no existing Aqua.WSC customers.

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority? NA

☒ 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
There are no existing Aqua WSC facilities or customers in this area			
NA			
NA			
NA			
NA			
NA			

Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

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

Applicant:

(Individual, Corporation, or Other Legal Entity)

Utility Name:

(If different than above)

Utility Address:

Fax: Email: Telephone (AC):

CCN Numbers held prior to the filing of this application:

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 Sewer Service Corporation); provide charter number: 333092

<input type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	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:	NA	Email	NA
Address	NA		
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:	Kenneth Ladd	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	PRESIDENT	Ownership % (if applicable):	0.00%

•Name:	Clovis Vaughn	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	VICE PRESIDENT	Ownership % (if applicable):	0.00%

•Name:	James Guthrie	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	SECRETARY / TREASURER	Ownership % (if applicable):	0.00%

•Name:	Ted Harbers	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	BOARD MEMBER	Ownership % (if applicable):	0.00%

•Name:	Leonard Gabler	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	BOARD MEMBER	Ownership % (if applicable):	0.00%

•Name:	Roberta Gullick & Robert Syrinek	Telephone (AC):	(979) 968-7475
Address:	PO Box 724, La Grange, TX 78945		
Position:	BOARD MEMBERS	Ownership % (if applicable):	0.00%

- 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.

Please see "Exhibit 9"

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:	James Rebecsek	Title:	General Manager, Fayette WSC
Address:	PO Box 724	Telephone (AC):	
Fax #	(979) 968-8239	Email	fayettewsc@yahoo.com
Relationship to the applicant:	General Manager of Fayette WSC (Purchaser)		

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

Fayette WSC (FWSC) was incorporated on November 5, 1973. The corporation was formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural communities of Fayette County. FWSC is currently serving 2,280 customers in the rural areas of Fayette County with approximately 350 miles of distribution lines, a pumping capacity of 4,300 GPM, and a storage capacity of 1.475 MG. Although the proposed service area is in the Bastrop County, near the Fayette County line, FWSC has facilities near the proposed transfer service area capable of providing service..

- B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, 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.

Please see "Exhibit 11B"

- 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 PUC and ensure continuous and adequate service.

The correction will be funded through an existing CoBank loan consisting of the Phase VIII project due to be on-line April 1st, 2017, identified as CoBank page 4 of "Exhibit 16E".

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

NA - No existing service is being provided.

- E. How will the transaction serve the public interest?

This transaction will allow Fayette WSC to provide water service to residents who are currently without potable water service. In some instances residents are forced to haul potable water from another area to their homes.

12. Please describe the nature of the proposed transaction:

Aqua WSC and Fayette WSC have agreed to transfer a portion of Aqua WSC Water CCN No. 10294 to Fayette WSC Water CCN No. 10726.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, 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: N/A

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

N/A

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

N/A
N/A

• Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ or PUC:

N/A
N/A

- Revenues from explicit customer agreements:

N/A
N/A

- Developer Contributions (please explain):

N/A

- Other Contributions (please explain):

N/A

Total Contributions in Aid of Construction

N/A

• Net Book Value: N/A

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. N/A

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]:

N/A

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. N/A

Utility Plant in Service:	<input type="text" value="N/A"/>
Plant Acquisition Adjustment:	<input type="text" value="N/A"/>
Extraordinary Loss on Purchase:	<input type="text" value="N/A"/>
Accumulated Depreciation of Plant:	<input type="text" value="N/A"/>
Cash:	<input type="text" value="N/A"/>
Notes Payable:	<input type="text" value="N/A"/>
Mortgage Payable:	<input type="text" value="N/A"/>
Others (please list):	<input type="text" value="N/A"/>

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: N/A - There are no current, or affected customers in this service area,

- ☐ 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:

N/A

☐ 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:

N/A

☐ Other. Please explain:

N/A

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.

1. PUC Water CCN(s) - Aqua WSC Water CCN No. 10294 & Fayette WSC Water CCN No. 10726
2. TCEQ Water District(s) - Lower Colorado River Authority
3. TCEQ Groundwater Control Districts - Fayette County Groundwater Conservation & Lost Pines Groundwater Conservation
4. Cities - No cities within 2 miles

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

Please see "Exhibit 16D and 16E"

Part D – Historical Financial Information

HISTORICAL BALANCE SHEETS	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
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						

Please see "Exhibit 16D"

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						
New Taps Per Year						
Total Meters at Year End						
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						

Please see "Exhibit 16D"

HISTORICAL EXPENSE DETAIL	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
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						

Part E – Projected Information

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
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

Please see "Exhibit 16E"

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
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 EXPENSE DETAIL

Please see "Exhibit 16E"

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

Please see "Exhibit 16E"

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
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 :						

Part F – TCEQ Public Water or Sewer System Information

- ☛ 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:

0	7	5	0	0	2	2
---	---	---	---	---	---	---

Date of last inspection: 11/29/16

B. For Wastewater Systems: **N/A**

-TCEQ Discharge Permit Number: **W Q** -

-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 or PUC standards? ☐ Yes ☒ No. If yes, please explain:

N/A

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

N/A

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

Description of the Required Improvement	Schedule to Complete	Estimated Cost
N/A		
N/A		
N/A		

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.
Please see "Exhibit 19"

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: 0.00%

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

Water				Sewer N/A	
<input type="checkbox"/> 0	-Non Metered	<input type="checkbox"/> 0	-2" meter	<input type="checkbox"/> -Residential Connection	
<input type="checkbox"/> 0	-5/8" or 3/4" meter	<input type="checkbox"/> 0	-3" meter	<input type="checkbox"/> -Commercial Connection	
<input type="checkbox"/> 0	-1" meter	<input type="checkbox"/> 0	-4" meter	<input type="checkbox"/> -Industrial Connection	
<input type="checkbox"/> 0	-1 1/2" meter	<input type="checkbox"/> 0	-Other	<input type="checkbox"/> -Other	
Total Water Connections:			0	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#
Larry P Bartosh	Ground Water Treatment Operator C	WG0006129
David B Woods	Ground Water Treatment Operator C	WG0014400
Ronald D Wick	Ground Water Treatment Operator C	WG0014399
Omer Lee Surface, JR	Water Operator D	WO0038442

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

- 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. Please see attached map
- 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:
 - A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county. Please see attached map
 - A map showing only the proposed area by:
 - metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - following verifiable natural and man-made landmarks, or
 - a copy of recorded plat map with metes and bounds.
 - A written description of the proposed service area. Please see "Exhibit 24.b.3"

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Part G – Oaths and Notices

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF: Texas

COUNTY OF: Williamson

I, Perry Steger, P.E., being duly sworn, file this application for sale, lease, rental or merger or consolidation as Engineer of Record, Aqua Water Supply Corporation (WSC) (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.

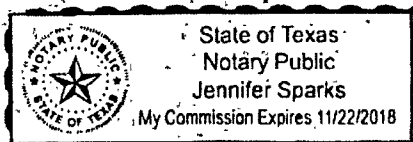
I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(i) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney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

[Signature]
AFFIANT
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 22 of February, 20 17

SEAL



[Signature]
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS
Jennifer Sparks
PRINT OR TYPE NAME OF NOTARY
MY COMMISSION EXPIRES 11/22/2018

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

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OATH FOR PURCHASER OR ACQUIRING ENTITY

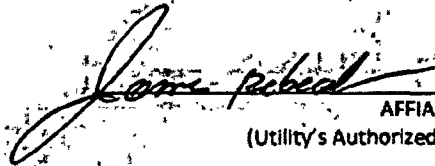
STATE OF Texas

COUNTY OF Bastrop

I, James Rabecak, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as General Manager, Fayette Water Supply Corporation (WSC)
(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 Texas Commission on Environmental Quality, the Public Utility Commission of Texas 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.

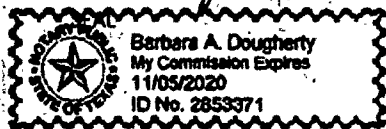

AFFIANT
(Utility's Authorized Representative)

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, this

day 6 of January, 20 17




NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Barbara A. Dougherty
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES _____

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

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Notice to Current Customers, Neighboring Systems and Cities

Aqua Water Supply Corporation (WSC)

'S

(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND
NECESSITY (CCN) NO

10294

TO

Fayette Water Supply Corporation (WSC)

(Purchaser's or Transferee's Name)

IN

COUNTY, TEXAS

To:

Date Notice Mailed

, 20

(Name of Customer, Neighboring System or City)

(Address)

City State Zip

Aqua Water Supply Corporation (WSC)

415 Old Austin Hwy, Drawer P

Bastrop, TX 78602

Sellers or Transferors' Name

Address

City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer

☐ water or sewer (please select) CCN No.

10294

in

[County Name]

County to:

Fayette Water Supply Corporation (WSC)

PO Box 724

La Grange, TX 78945

Purchasers or Transferee's Name

Address

City/State/Zip Code

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

The area subject to this transaction is located approximately 3.5 miles northeast [direction] of downtown Cistern [City or Town] Texas, and is generally bounded on the north by

; on the east by

; on the south by

; and on the west by

The total area being requested includes approximately 2,028 acres and serves 0 current customers.

This transaction will have the following effect on the current customer's rates and services:

There are no current Aqua WSC customers in this area or effects on rates and services to these residents.

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 Commission 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 Commission 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:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Se desea informacion en Espanol, puede llamar al
1-888-782-8477

James Rebeck



Utility Representative

Fayette Water Supply Corporation (WSC)

Utility Name

Notice to Current Customers, Neighboring Systems, Landowner and CitiesAqua Water Supply Corporation (WSC)

(Seller's or Transferor's Name)

'S NOTICE OF INTENT TO SELL FACILITIES TOFayette Water Supply Corporation (WSC)

(Purchaser's or Transferee's Name)

AND FOR

Fayette Water Supply Corporation (WSC)

Purchaser's or Transferee's Name)

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN

Bastrop

COUNTY, TEXAS

To:
(Name of Customer, Neighboring System, Landowner or City)

Date Notice Mailed

, 20
(Address)

City

State

Zip

Aqua WSC415 Old Bastrop Hwy, Drawer PBastrop, TX 78602

Sellers or Transferors' Name

Address

City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell water or sewer (please select) Facilities in Bastrop [County Name] County to:Fayette Water Supply Corporation (WSC)PO Box 724La Grange, TX 78945

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 Commission (Texas Water Code §13.301). The transaction and the proposed service area include the following subdivision(s):

Dolly Hellinger SubdivisionThe area subject to this transaction is located approximately 3.5 miles northeast [direction] of downtown Cistern [City or Town] Texas, and is generally bounded on the north byCounty Road 310

; on the east by

Bastrop / Fayette County Line

; on the south by

Janca Shade Road

; and on the west by

County Road 297The total area being requested includes approximately 2,028 acres and serves 0 current customers.

This transaction will have the following effect on the current customer's rates and services:

There are no current Aqua WSC customers in this area or effects on rates and services to these residents.

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 Commission 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 Commission 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:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

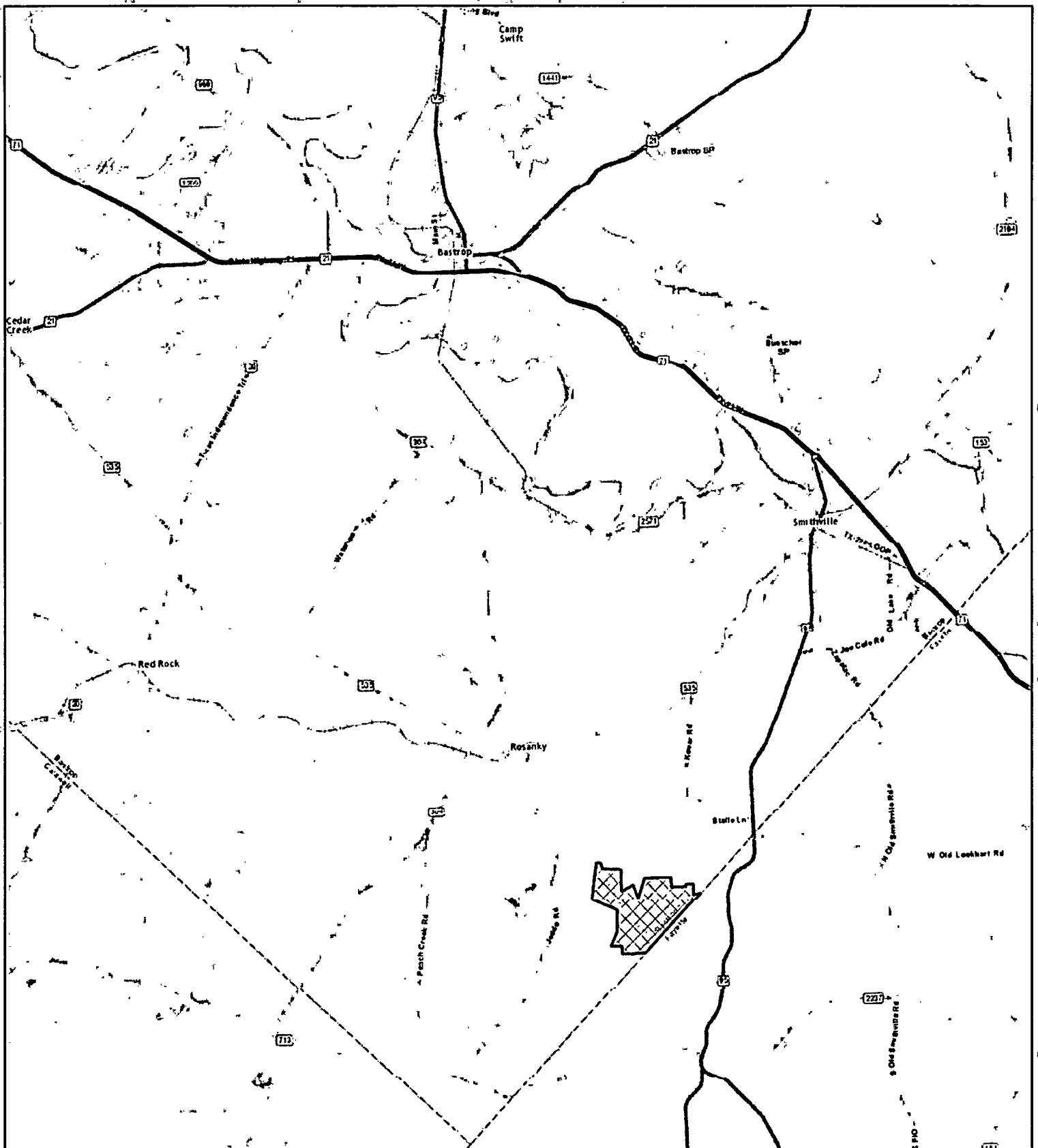
James Rebeck



Utility Representative

Fayette Water Supply Corporation (WSC)

Utility Name



**Portion of Aquia WSC Water CCN No. 10294
to be Transferred to Fayette WSC CCN No. 10726**

Located both east and west of Rosanky Road
at Bastrop / Fayette County Line

Bastrop County, TX

Map Legend

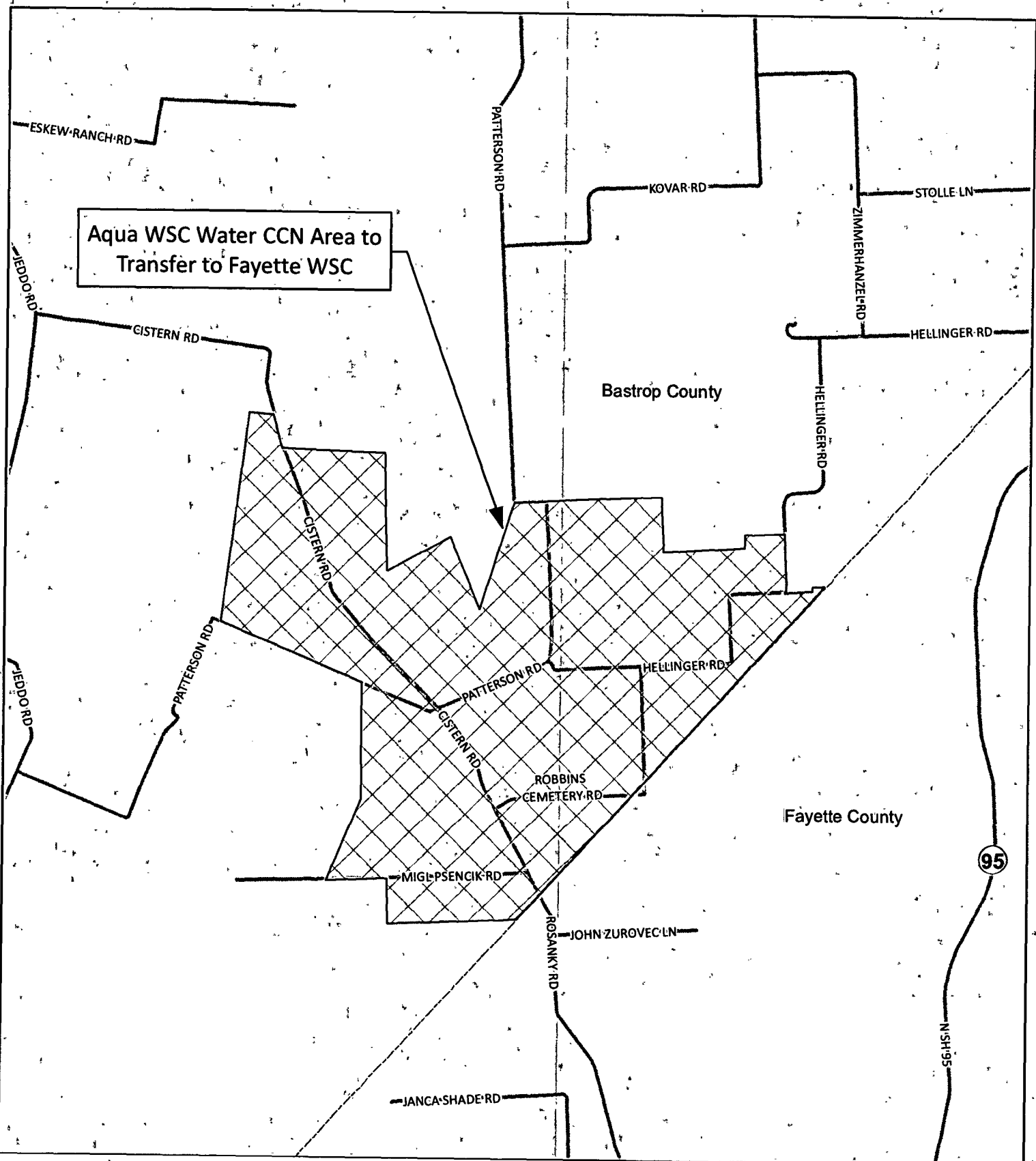
 Aquia WSC CCN No. 10294 Service Area to
Transfer to Fayette WSC CCN No. 10726



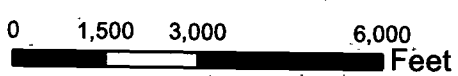
0 1 2 4 Miles

February 27, 2016

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**Portion of Aqua WSC Water CCN No. 10294
to be Transferred to Fayette WSC CCN No. 10726**





February 27, 2016

Located both east and west of Rosanky Road
at Bastrop / Fayette County Line

Bastrop County, TX

Legend - 1" = 3,000'

-  Aqua WSC Service Area to Transfer to Fayette WSC
-  Texas County Boundaries

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STATE OF TEXAS
OFFICE OF THE SECRETARY OF STATE
AUSTIN, TEXAS 78711
November 13, 1973

Mark W. White, Jr.
SECRETARY OF STATE

Bruce Hughes
ASST. SECRETARY OF STATE

Michael P. Kiesel
DELTJEN & SCHOVAJSA
P. O. Drawer 370
La Grange, Texas

CHARTER NO: 333092
EXEMPT

RE: PAYETTE WATER SUPPLY CORPORATION
TO THE ATTENTION OF THE CAPTIONED CORPORATION

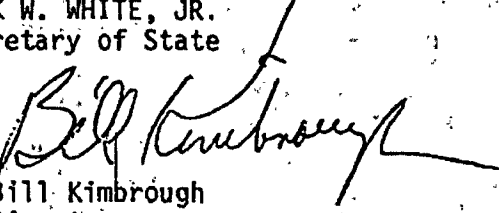
It has been our pleasure to approve and place on record the Articles of Incorporation that created your corporation. We extend our best wishes for success in your new venture.

Unless shown as "EXEMPT" above, you will be required to file an annual franchise tax return with the Comptroller of Public Accounts, Capitol Station, Austin, Texas, 78711, and pay the tax due within 90 days after the end of the first corporated year. If the corporation should be exempt and is not shown "EXEMPT" above, you must apply to the Comptroller for such exemption. The SECRETARY OF STATE cannot make such a determination for your corporation.

We suggest that you keep this letter as a reminder, or, so to mark your records that you will not unwittingly become liable for statutory penalties for late filing and late payment.

Yours very truly,

MARK W. WHITE, JR.
Secretary of State

BY: 
Bill Kimbrough
Director
Corporation Division

BK:js
enc.

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Form PHA-Tx 442-6
(Revised 8-19-64)

FILED
In the Office of the
Secretary of State of Texas

ARTICLES OF INCORPORATION

OF

NOV 05 1973

Fayette

WATER SUPPLY CORPORATION

Bill Zimmerman

THE STATE OF TEXAS

COUNTY OF Fayette

KNOW ALL MEN BY THESE PRESENTS, That we, the undersigned, do hereby adopt the following

Articles of Incorporation for such Corporation:

WE, the undersigned natural persons of the age of twenty-one (21) years or more, at least three of whom are citizens of the State of Texas, acting as incorporators of a Corporation, do hereby adopt the following

ARTICLE I.

The name of the Corporation is Fayette Water Supply Corporation.

ARTICLE II.

The corporation is a non-profit Corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

ARTICLE III.

The period of its duration is perpetual.

USDA-PH.

Sheet 1

Application Attachment
Exhibit "9"

Form FSA-Tx 442-6
(Revised 8-19-64)

ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of La Grange, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the La Grange Community in Fayette County, Texas, and the surrounding rural areas.

ARTICLE V

The street address of the initial registered office of the Corporation is Box 13
Route 1, La Grange, Texas 78945, and the name of its initial registered agent at such address is Kenny L. Stork.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is five (5), and the name and address of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
Kenny L. Stork	Route 1 Box 13	La Grange, Texas 78945
Ben Janda	Route 3, P. O. Box 243	La Grange, Texas 78945
Louis Schroeder	123 North Main Street	La Grange, Texas 78945
E. T. Radenz	Route 1 Box 177	Ledbetter, Texas 78946
Gordon Clegg	Route 1 Box 29	West Point, Texas 78963

Form PHA-Tx 442-6

(Rev. 8-19-64)

ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
Kenny L. Stork	Route 1 Box 13	La Grange, Texas 78945
Ben Janda	Route 3, P. O. Box 243	La Grange, Texas 78945
Louis Schroeder	123 North Main Street	La Grange, Texas 78945
E. T. Radenz	Route 1 Box 177	Ledbetter, Texas 78946
Gordon Clegg	Route 1 Box 29	West Point, Texas 78963

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified.

ARTICLE VIII.

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, we have hereunto set our hands, this the 30th day of October, 19 73.

Louis Schroeder
E. T. Radenz
Gordon Clegg
Kenny L. Stork
Ben Janda

Form SHA-Tx 442-6
(Revised 8-19-64)

THE STATE OF TEXAS §

COUNTY OF Fayette §

I, Evelyn N. Kasper, a Notary Public,
do hereby certify that on this 30th day of October, 1973,
personally appeared before me Louis Schroeder, E. T. Radenz,
Gordon Clegg, Kenny L. Stork and Ben Janda

who each being by me first duly sworn, severally declared that they are the
persons who signed the foregoing document as incorporators, and that the
statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day
and year above written.

Evelyn N. Kasper
Notary Public in and for
Fayette County, Texas

(Notarial Seal)

My commission expires June 1, 1975.

BYLAWS Of FAYETTE WATER SUPPLY CORPORATION

* * * * *

Bylaws of Fayette Water Supply Corporation, having been presented to the Membership (customers) and Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I; PRESIDENT

The President shall preside and vote at all Members' and Directors' meetings. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors, or pertain to any other member of the Board.

ARTICLE II; VICE PRESIDENT

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

ARTICLE III; SECRETARY-TREASURER

The Secretary-Treasurer shall direct or supervise custody of all monies, records and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer or designated staff in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and/or President, and/or Vice President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to that office.

The position of the Secretary-Treasurer, and other Board positions and/or employees entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total amount debt service

requirements for all USDA Rural Development, Rural Utilities Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS, or its successor agencies and assigns.

ARTICLE IV; BOARD OF DIRECTORS

SECTION 1.

QUALIFICATION/DISQUALIFICATION PROVISIONS TO SERVE ON THE BOARD OF DIRECTORS

1. A person must be a member of the Corporation in order to serve as a Director.
2. A person is disqualified from serving as a Director if:
 - A. He or she is an employee of the Corporation or is serving as a consultant, engineer, attorney, manager, or in any other professional capacity for the Corporation;
 - B. He or she is a member of the immediate family of an employee of the Corporation or a person who is serving as a consultant, engineer, attorney, manager, or in any other professional capacity for the Corporation;
 - C. He or she is a member of the immediate family of any director of the Corporation;
 - D. He or she is an employee of any business owned or managed by another Director;
 - E. He or she serves as a director or as an officer for any bank or savings and loan association which lends to or holds any indebtedness of the Corporation.
 - F. As used in this Article, the term "immediate family" includes spouses, parents, children and their spouses, grandchildren and their spouses, stepparents, brothers and sisters and their spouses.
3. Within 60 days after the Board determines that a Director is no longer a Member or that a relationship or employment exists which constitutes disqualification under this Article, it shall replace the person serving as a Director with a qualified person.

SECTION 2.

The Board of Directors shall consist of seven (7) Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the fourth (4th) Monday in March, the Board of Directors shall elect a President, Vice-President, and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' meetings provided for in Article VI of the Bylaws. The Director shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the Members after their election; the terms of the Directors of the second class shall expire at the second annual meeting after their election; and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term

expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. Directors, as such, shall not receive any stated salary for their services, except as provided for by state law.

Upon the death or resignation of a Director, a successor shall be appointed by a majority of the existing Directors to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

SECTION 3.

Officers and Directors may be removed from office in the following manner, except as otherwise provided in Article V. Any member, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director (s) or Officers (s) against whom such charges have been presented shall be informed in writing of such charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting, in accordance with the written annual or special meetings procedures as adopted by the Board. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the board has been filled.

SECTION 4.

The President of the Board, or Vice-President, shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such individual from continuing to act in the capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

SECTION 5.

The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Non-Profit Corporation Act pertaining to duties and responsibilities of the Board of Directors.

ARTICLE V; BUSINESS MEETINGS

SECTION 1.

Meetings of the Board of Directors shall be held at such time and place as the Board may determine at the previous meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, including any subsequent amendment thereto. In the event of any conflict between the provisions of these Bylaws and requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

SECTION 2.

Any Director failing to attend two (2) consecutive meetings may be given written notice by the balance of the Board of Directors that failure by said Director to attend a third (3rd) consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be appointed by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.

SECTION 3.

The Board of Directors shall provide access for the public, new service applicants or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however, there shall be no deliberations or actions by the board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.

SECTION 4.

The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

SECTION 5.

In conducting their duties as members of the Board, Directors: (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provisions for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care, on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matter to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI; ANNUAL MEETINGS OF MEMBERS

SECTION 1.

There shall be a regular meeting of the Members annually, on the fourth (4th) Monday of March, to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these Bylaws shall give each Member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting proxy shall be permitted. Members holding five percent (5%) of the votes entitled to be cast represented in person or by proxy, shall constitute a quorum for the transaction of business.

SECTION 2.

The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including the proxy/or ballot form which shall be the official proxy and/or ballot for such meetings; procedures for proper notification of the Membership of such meetings and delivery of the Corporation's official proxy and/or ballot forms to the Membership; procedures to determine, qualify and register the eligible voters for such meetings; and procedures for canvassing all votes and recording the results of all elections at such meetings of the Membership.

SECTION 3.

The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with procedures adopted by the board under Section 2, shall notify the Membership of annual or special Membership meetings and deliver Corporation's official proxy and/or ballot forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, canvas all votes, and record the results of such elections. Should the individual holding the office of Secretary-Treasurer be running for re-election, the President shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

SECTION 4.

After fixing a date for the notice of a meeting, the business office shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting member, or voting member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and expense, copy the list. Further, the board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.

ARTICLE VII; SPECIAL MEETINGS

A special meeting of the Members or Directors may be called by the President or by demand by a majority of the Board members or one-third of the Members. Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed, as required under Article 1396-2.11, Texas Revised Civil Statute, and as provided under Article V of these Bylaws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, personally delivered to each Member, or sent by facsimile to each Member.

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the Bylaws and the Texas Open Meetings Act, at least two hours before the meeting is convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency meeting of the Directors be convened where the business of such meeting could be considered at a regular or special meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these Bylaws.

ARTICLE VIII; NON-PROFIT CORPORATION

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid by the Corporation. All profits arising from the operation of such businesses shall be paid by the Corporation. All profits arising from the operation of such business shall be allocated to sinking fund(s) and reserve accounts, capital improvement accounts and operating accounts as such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008 (d) of the Texas Water Code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provision of Section 67.014 (b) of the Texas Water Code. Water rates to Member/Customer must be adequate to maintain capital.

ARTICLE IX; RESERVE ACCOUNT, FIDUCIARY REQUIREMENTS

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation. Securities so purchased shall be deemed at all times to be part of the reserve fund account. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from USDA Rural Development, RUS. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility and for making up any deficiencies in revenue for loan payments.

ARTICLE X; QUALIFICATIONS FOR MEMBERSHIP

SECTION 1.

The Corporation shall have members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a membership as a condition to receive service on a limited basis. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served, or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

SECTION 2.

The Membership Fee shall be as determined by the Board of Directors. Payment of Membership Fee or transfer of membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one membership, but each Member shall be entitled to only one vote regardless of the number of memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

SECTION 3.

The Membership Fee may be revised by the Board of Directors as the board may determine to be appropriate. In determining the amount of the Membership Fee, however, the board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water and/or sewer service from the Corporation for such potential members' own needs. Furthermore, the board shall determine and administer such fee in a manner or in an amount which does not unreasonably deny service to financially deprive potential members. In no event, however, shall the Membership Fee exceed an amount to the sum of twelve (12) charges of the Corporation's minimum monthly water and/or sewer rate unless previously approved by USDA Rural Development, RUS. Membership Fees will not be refundable.

SECTION 4.

New applications for membership and water service must pay the system impact fee as determined by the Board of Directors, in accordance with regulations of USDA Rural Development, RUS.

ARTICLE XI; VOTING MEMBERS

Where necessary for determining those Members entitled to notice of, or those Members entitled to vote at any meeting or any adjournment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken.

ARTICLE XII; MEMBERSHIP

SECTION 1.

In order to ensure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

- (a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other right of participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.
- (b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance of real estate from which the Membership or other right of participation arose.
- (c) The transfer of stock, Membership, or another right of participation under this section does not entitle the transferee to water and/or sewer services unless

each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and condition of service. Water and/or sewer service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.

- (d) The corporation may cancel a person's Membership, or other right of participation if the person, or other entity, fails to meet the conditions for water and/or sewer service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other placed on the receipt of water and/or sewer service under the stock, Membership, or other right of participation authorized under Subsection (c) of this section. The Corporation may, consistent with the limitations prescribed by Subsection (a) of this section as provided in the Corporation's tariff, reassign cancelled stock, or a cancelled Membership, or other right of participation to any person or entity that has title to the real estate from which the cancelled Membership or other right of participation arose and for which water and/or sewer is requested, subject to compliance with the conditions for water and/or sewer service prescribed by the Corporation's published rates, charges and conditions of service.

SECTION 2.

Notwithstanding anything to the contrary here-in-above provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

ARTICLE XIII; MANAGEMENT

The Board may employ a manager(s) to handle the business of the Corporation under the direction of the Board. The Board shall set the salary, or pay scale.

ARTICLE XIV; TERMINATION OF SERVICE

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written

policies of the Corporation, including the tariff of the Corporation. In the event a member should surrender the Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water and/or sewer service shall be discontinued and the obligation to pay for water and/or sewer service shall terminate except as for the minimum charge for the current month and the charge for water and/or sewer used during the current month, and except as for any prior unpaid amounts due the Corporation.

ARTICLE XV; DISSOLUTION OF THE CORPORATION

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water and/or sewer service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply or wastewater service, or both, that is exempt from ad valorem taxation. By application for and acceptance of Membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

ARTICLE XVI; FISCAL YEAR

The fiscal year of the Corporation shall be January 1st to December 31st.

ARTICLE XVII; INSURANCE

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the USDA Rural Development, RUS, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the USDA Rural Development, RUS, for the State of Texas.

ARTICLE XVIII; ASSESSMENTS

SECTION 1.

If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water and/or sewer charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by USDA Rural Development, RUS, so that the sum of such assessment and the amount collected from water and/or sewer and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other than USDA Rural Development, RUS, without favorable vote of the majority of the Members. Any assessments levied to make up operations deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

SECTION 2.

In the event a Member should surrender their Membership certificate properly endorsed by the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of their obligation under special arrangements covering Multiple Membership certificates held by one Member which may have been required or approved by the USDA Rural Development, RUS.

ARTICLE XIX; CORPORATE RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principal office in Texas.

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheet for all funds or such financial reports as required by USDA Rural Development, RUS. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Public Information Act, Chapter 552, Texas Government Code, including any amendments thereto, shall be available for public inspection and copying by the

public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies:

In the event of any conflict between the provisions of the Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

ARTICLE XX; AMENDMENTS TO THE BYLAWS

These Bylaws may be altered, amended, or repealed by a vote of a majority of the Members present, whether in person or by proxy, at any regular meeting of the Members, or at any special meeting of the Members called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the Bylaws as to effect a fundamental change in the intents and purposes of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the USDA Rural Development, RUS, or its successor agencies and assigns, these Bylaws shall not be altered, amended, or repealed without prior written consent of the State Director of the USDA Rural Development, RUS, for the State of Texas.

ARTICLE XXI; CORPORATE SEAL

The Seal of the Corporation shall consist of a circle within which shall be inscribed "FAYETTE WATER SUPPLY CORPORATION".

ARTICLE XXII

The Corporation pledges its assets for the use in performing the functions of the Corporation as provided by law and the Corporation's Articles of Incorporation.


ARTICLE XXIII

The above Bylaws and regulations were unanimously adopted by the Board of Directors of the FAYETTE WATER SUPPLY CORPORATION, on the 22nd day of March, 2010. The following signatures certify approval by Membership on the 22nd day of March, 2010.



President

Attest:



Secretary-Treasurer

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



IN THE MATTER OF AN
ENFORCEMENT ACTION
CONCERNING
FAYETTE WATER SUPPLY
CORPORATION
RN101240729

§ BEFORE THE
§
§ TEXAS COMMISSION ON
§
§
§ ENVIRONMENTAL QUALITY

AGREED ORDER
DOCKET NO. 2015-1781-PWS-E

At its JUL 06 2016 agenda, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding Fayette Water Supply Corporation ("Respondent") under the authority of TEX. HEALTH & SAFETY CODE ch. 341 and TEX. WATER CODE ch. 5. The Executive Director of the TCEQ, through the Enforcement Division, and the Respondent presented this agreement to the Commission.

The Respondent understands that they have certain procedural rights at certain points in the enforcement process, including, but not limited to, the right to formal notice of violations, notice of an evidentiary hearing, the right to an evidentiary hearing, and a right to appeal. By entering into this Agreed Order, the Respondent agrees to waive all notice and procedural rights.

It is further understood and agreed that this Order represents the complete and fully-integrated settlement of the parties. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable. The duties and responsibilities imposed by this Agreed Order are binding upon the Respondent.

The Commission makes the following Findings of Fact and Conclusions of Law:

Fayette Water Supply Corporation
DOCKET NO. 2015-1781-PWS-E
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I. FINDINGS OF FACT

1. The Respondent owns and operates a public water supply at 200 Bordovsky Road in La Grange, Fayette County, Texas (the "Facility") that has approximately 1,727 service connections and serves at least 25 people per day for at least 60 days per year.
2. During a record review conducted from November 9, 2015 through November 20, 2015, TCEQ staff documented that the locational running annual average concentrations for total trihalomethanes ("TTHM") were 0.097 milligrams per liter ("mg/L") for the second quarter of 2015, 0.092 mg/L for the third quarter of 2015, and 0.092 mg/L for the fourth quarter of 2015 at Stage 2 Disinfection Byproducts ("DBP2") Site 1.
3. During a record review conducted December 9, 2015, TCEQ staff documented that the Respondent did not pay Regulatory Assessment Fees for TCEQ Public Utility Account No. 10726 for calendar years 2008, 2012, and 2014.
4. The Respondent received notice of the violations on November 25, 2015.

II. CONCLUSIONS OF LAW

1. The Respondent is subject to the jurisdiction of the TCEQ pursuant to TEX. HEALTH & SAFETY CODE ch. 341, TEX. WATER CODE ch. 5, and the rules of the Commission.
2. As evidenced by Findings of Fact No. 2, the Respondent failed to comply with the maximum contaminant level ("MCL") of 0.080 mg/L for TTHM, based on the locational running annual average, in violation of 30 TEX. ADMIN. CODE § 290.115(f)(1) and TEX. HEALTH & SAFETY CODE § 341.0315(c).
3. As evidenced by Findings of Fact No. 3, the Respondent failed to pay regulatory assessment fees, in violation of 30 TEX. ADMIN CODE § 291.76 and TEX. WATER CODE § 5.702.
4. Pursuant to TEX. HEALTH & SAFETY CODE § 341.049, the Commission has the authority to assess an administrative penalty against the Respondent for violations of the Texas Water Code and the Texas Health and Safety Code within the Commission's jurisdiction; for violations of rules adopted under such statutes; or for violations of orders or permits issued under such statutes.
5. An administrative penalty in the amount of Three Hundred Forty-Five Dollars (\$345) is justified by the facts recited in this Agreed Order, and considered in light of the factors set forth in TEX. HEALTH & SAFETY CODE § 341.049(b). The Respondent has paid the Three Hundred Forty-Five Dollar (\$345) administrative penalty.

Fayette Water Supply Corporation
DOCKET NO. 2015-1781-PWS-E
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III. ORDERING PROVISIONS

NOW, THEREFORE, THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
ORDERS that:

1. The Respondent is assessed an administrative penalty in the amount of Three Hundred Forty-Five Dollars (\$345) as set forth in Section II, Paragraph 5 above, for violations of TCEQ rules and state statutes. The payment of this administrative penalty and the Respondent's compliance with all the terms and conditions set forth in this Agreed Order completely resolve the violations set forth by this Agreed Order in this action. However, the Commission shall not be constrained in any manner from requiring corrective actions or penalties for other violations that are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: Fayette Water Supply Corporation, Docket No. 2015-1781-PWS-E" to:

Financial Administration Division, Revenue Operations Section
Attention: Cashier's Office, MC 214
Texas Commission on Environmental Quality
P.O. Box 13088
Austin, Texas 78711-3088

2. The Respondent shall undertake the following technical requirements:
 - a. Within 30 days after the effective date of this Agreed Order, submit payment for all outstanding regulatory assessment fees for TCEQ Public Utility Account No. 10726 for calendar years 2008, 2012, and 2014. The payment, along with the associated Revenue and Regulatory Assessment Report(s), shall be submitted to the address provided in Ordering Provision No. 1., above;
 - b. Within 365 days after the effective date of this Agreed Order, return to compliance with the MCL for TTHM based on the locational running annual average, in accordance with 30 TEX. ADMIN. CODE § 290.115; and
 - c. Within 380 days after the effective date of this Agreed Order, submit written certification as described below, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision No. 2.b. The certification shall be notarized by a State of Texas Notary Public and include the following certification language:

"I certify under penalty of law that I have personally examined and am familiar with the information submitted and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing violations."

Fayette Water Supply Corporation
DOCKET NO. 2015-1781-PWS-E
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The certification shall be submitted to:

Order Compliance Team
Enforcement Division, MC 149A
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

with a copy to:

Public Drinking Water Section Manager
Water Supply Division, MC 155
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

3. The provisions of this Agreed Order shall apply to and be binding upon the Respondent. The Respondent is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Facility operations referenced in this Agreed Order.
4. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by the Respondent shall be made in writing to the Executive Director. Extensions are not effective until the Respondent receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.
5. The Executive Director may refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings without notice to the Respondent if the Executive Director determines that the Respondent has not complied with one or more of the terms or conditions in this Agreed Order.
6. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.
7. This Agreed Order, issued by the Commission, shall not be admissible against the Respondent in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
8. This Agreed Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Agreed Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or

Fayette Water Supply Corporation
DOCKET NO. 2015-1781-PWS-E
Page 5

otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Agreed Order shall constitute an original signature for all purposes and may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms "electronic transmission", "owner", "person", "writing", and "written" shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.

9. The effective date of this Order is the date it is signed by the Commission. A copy of this fully executed Order shall be provided to each of the parties.

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SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Bryan W. Shaw
For the Commission

7-13-16

Date

Ramon Morais
For the Executive Director

5/16/16

Date

I, the undersigned, have read and understand the attached Agreed Order in the matter of Fayette Water Supply Corporation. I am authorized to agree to the attached Agreed Order on behalf of Fayette Water Supply Corporation, and do agree to the specified terms and conditions. I further acknowledge that the TCEQ, in accepting payment for the penalty amount, is materially relying on such representation.

I understand that by entering into this Agreed Order, Fayette Water Supply Corporation waives certain procedural rights, including, but not limited to, the right to formal notice of violations addressed by this Agreed Order, notice of an evidentiary hearing, the right to an evidentiary hearing, and the right to appeal. I agree to the terms of the Agreed Order in lieu of an evidentiary hearing. This Agreed Order constitutes full and final adjudication by the Commission of the violations set forth in this Agreed Order.

I also understand that failure to comply with the Ordering Provisions, if any, in this order and/or failure to timely pay the penalty amount, may result in:

- A negative impact on compliance history;
- Greater scrutiny of any permit applications submitted;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees, or to a collection agency;
- Increased penalties in any future enforcement actions;
- Automatic referral to the Attorney General's Office of any future enforcement actions; and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.

James Roberts
Signature

4-20-16

Date

James Roberts
Name (Printed or typed)
Authorized Representative of
Fayette Water Supply Corporation

General Manager
Title

Instructions: Send the original, signed Agreed Order with penalty payment to the Financial Administration Division, Revenue Operations Section at the address in Section III, Paragraph 1 of this Agreed Order.

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
Protecting Texas by Reducing and Preventing Pollution

July 15, 2016

FIRST CLASS MAIL

James Rebecsek, General Manager
James W. Guthrie, Secretary/Treasurer
Kenneth Ladd, President
Fayette Water Supply Corporation
P.O. Box 724
La Grange, Texas 78945-0724

RE: Fayette Water Supply Corporation
TCEQ Docket No. 2015-1781-PWS-E; Registration No. 0750022
Agreed Order Assessing Administrative Penalties and Requiring Certain Actions

Enclosed is a copy of an order issued by the Commission.

Questions regarding the order should be directed to the Texas Commission on Environmental Quality's Enforcement Division at (512) 239-2545 or the Litigation Division at (512) 239-3400. If there are questions pertaining to the mailing of the order, then please contact Leslie Gann of the Office of the Chief Clerk at (512) 239-3319.

Sincerely,

Bridget C. Bohac

Bridget C. Bohac
Chief Clerk

BCB/lg

Enclosure

cc: Rebecca Boyett, Enforcement Coordinator, TCEQ Enforcement Division

IMPORTANT INFORMATION ABOUT YOUR DRINKING WATER

Total Trihalomethanes (TTHM) MCL Violation at Fayette Water Supply Corporation (FWSC)

The Texas Commission on Environmental Quality (TCEQ) has notified the **Fayette Water Supply Corporation – West TX0750022** that the drinking water being supplied to customers had exceeded the Maximum Contaminant Level (MCL) for Total Trihalomethanes (TTHMs). The United States Environmental Protection Agency (U.S. EPA) has established the MCL for TTHM to be 0.080 milligrams per liter (mg/L) based on locational running annual average (LRAA), and has determined that it is a health concern at levels above the MCL. Analysis of drinking water in your community for TTHMs indicates a compliance value in quarter one 2016 of 0.091 mg/L for DBP2-01.

Trihalomethanes are a group of volatile organic compounds that are formed when chlorine, added to the water during the treatment process for disinfection, reacts with naturally-occurring organic matter in the water.

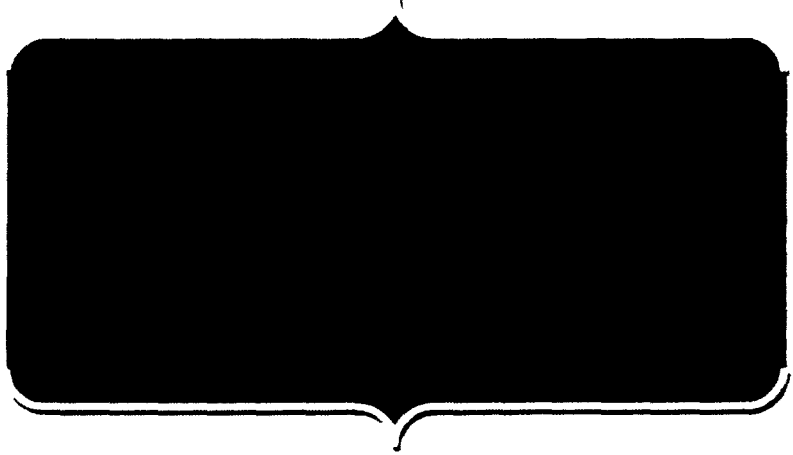
Some people who drink water containing trihalomethanes **in excess of the MCL over many years** may experience problems with their liver, kidney, or central nervous systems, and may have an increased risk of getting cancer.

You do not need to use an alternative water supply. However, if you have health concerns, you may want to talk to your doctor to get more information about how this may affect you.

Fayette Water Supply Corporation (FWSC) is working to correct the problem by increasing the flushing throughout the West Point area. FWSC will conduct routine testing until the water is in compliance with TCEQ/U.S. EPA drinking water standards. FWSC is drilling a new well at the intersection of HWY 71 and Loop 543 and the water will be blended with the West Point water to assist in eliminating the problem.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (i.e., people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

If you have any questions concerning this notice, you may contact the Fayette Water Supply Corporation office at 979-968-6475.



**Fayette Water Supply Corporation
Audit of Financial Statements
December 31, 2015 and 2014**

Fayette Water Supply Corporation

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Medack & Oltmann, LLP
Certified Public Accountants

PARTNERS

James E. Medack, CPA
Melodi J. Oltmann, CPA

PROFESSIONAL STAFF

Remington O'Dell, CPA

MEMBERS

American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Fayette Water Supply Corporation
P.O. Box 724
La Grange, Texas 78945

Report on the Financial Statements

We have audited the accompanying financial statements of Fayette Water Supply Corporation (a nonprofit organization), which comprise the balance sheets as of December 31, 2015, and 2014, and the related statements of income and expenses, changes in retained earnings and memberships, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayette Water Supply Corporation as of December 31, 2015, and 2014, and its net income and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PO Box 2153, 115W Loop 150 • Bastrop, Texas 78602 • ph 512.321.3951 fax 512.321.5014
PO Box 237, 321 N Main St • Giddings, Texas 78942 • ph 979.542.3713 fax 979.542.0061

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of Fayette Water Supply Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayette Water Supply Corporation's internal control over financial reporting and compliance.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, Texas
March 17, 2016

FAYETTE WATER SUPPLY CORPORATION
BALANCE SHEETS
December 31, 2015, and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash - Operating Account	\$ 149,030	\$ 430,718
Accounts Receivable	108,064	91,528
Accounts Receivable - Other	9,423	12,970
Inventory	93,930	93,337
Prepaid Expenses	18,708	0
Total Current Assets	\$ 379,155	\$ 628,553
<u>Restricted Assets</u>		
Cash	\$ 311,831	\$ 336,035
<u>Fixed Assets</u>		
Property and Equipment, at cost	\$ 12,196,356	\$ 10,420,962
Less: Accumulated Depreciation	(4,141,793)	(3,802,670)
Total Fixed Assets	8,054,563	6,618,292
Total Assets	\$ 8,745,549	\$ 7,582,880
<u>Liabilities and Membership Equity</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 51,502	\$ 82,935
Retainage Payable	70,365	0
Compensated Leave Payable	7,267	7,798
Notes Payable - Current Portion	230,617	84,735
Customer Deposits	15,305	15,705
Accrued Interest Payable	11,475	19,543
Deferred Revenue	50	50
Total Current Liabilities	\$ 386,581	\$ 210,766
Long-Term Debt, net of Current Portion	\$ 7,018,796	\$ 6,058,138
Total Liabilities	\$ 7,405,377	\$ 6,268,904
<u>Membership Equity</u>		
Memberships	229,000	226,500
Retained Earnings	1,111,172	\$ 1,087,476
Total Membership Equity	\$ 1,340,172	1,313,976
Total Liabilities and Membership Equity	\$ 8,745,549	\$ 7,582,880

The accompanying notes to the financial statements are an integral part of this statement.

FAYETTE WATER SUPPLY CORPORATION
STATEMENTS OF INCOME AND EXPENSES
December 31, 2015, and 2014

	<u>2015</u>	<u>2014</u>
<u>Operating Income</u>		
Water Sales	\$ 1,567,496	\$ 1,401,355
Reconnect Fees	800	1,400
New Installations	52,200	78,300
Contract Services	-	-
Equity Buy In	86,800	129,600
Contract Services	-	16,290
Miscellaneous	23,566	29,355
Total Operating Income	\$ 1,730,862	\$ 1,656,300
<u>Operating Expenses</u>		
Salaries and Benefits	\$ 487,212	\$ 454,525
Supervision and Mileage	247,878	249,086
Repairs and Maintenance	33,278	52,111
Utilities	115,028	114,818
Materials and Supplies	186,258	266,677
Depreciation	310,514	329,078
Total Operating Expenses	\$ 1,380,168	\$ 1,466,295
Gross Margin	\$ 350,694	\$ 190,005
<u>General and Administrative Expenses</u>		
Postage and Office Supplies	\$ 63,688	\$ 81,350
Insurance	23,128	28,636
Rent	9,565	7,677
Interest	77,861	78,992
Legal and Professional	16,429	14,200
Other General and Administrative Expenses	94,416	78,388
Depreciation	30,808	30,808
Total General and Administrative Expenses	\$ 315,895	\$ 320,051
Net Income From Operations	\$ 34,799	\$ (130,046)
<u>Other Income</u>		
Interest Income	\$ 2,284	\$ 6,604
Loss on Disposal of Assets	(14,287)	(352,276)
Assumption of Memberships	900	500
Total Other Income	\$ (11,103)	\$ (345,172)
Net Income	\$ 23,696	\$ (475,218)

The accompanying notes to the financial statements are an integral part of this statement.

FAYETTE WATER SUPPLY CORPORATION
STATEMENTS OF CHANGES IN RETAINED EARNINGS AND MEMBERSHIPS
For the Year Ended December 31, 2015, and 2014

	<u>2015</u>	<u>2014</u>
Retained Earnings - Beginning	\$ 1,087,476	\$ 1,562,694
Net Income	<u>23,696</u>	<u>(475,218)</u>
Retained Earnings - Ending	<u>\$ 1,111,172</u>	<u>\$ 1,087,476</u>
<u>Membership Fees</u>		
Balance at Beginning of Year	\$ 226,500	\$ 219,900
New Member Fees (2015- 53, 2014- 71)	5,300	7,100
Memberships Assumed by District (2015- 28, 2014- 5)	<u>(2,800)</u>	<u>\$ (500)</u>
Balance at End of Year	<u>\$ 229,000</u>	<u>\$ 226,500</u>

The accompanying notes to the financial statements are an integral part of this statement.

FAYETTE WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2015, and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from customers	\$ 1,715,973	\$ 1,659,922
Cash paid to suppliers	(1,328,145)	(1,676,868)
Interest received	2,284	3,013
Interest paid	(85,929)	(107,718)
Net cash provided by operating activities	<u>\$ 304,183</u>	<u>\$ (121,651)</u>
Cash flows from financing activities		
Proceeds from issuance of new debt	\$ 1,302,067	\$ 2,294,639
Principal payments on debt	(195,527)	(121,820)
Issuance of new memberships/additional paid-in-capital	5,300	7,100
Customer Deposits	(400)	(450)
Net cash (used) by financing activities	<u>\$ 1,111,440</u>	<u>\$ 2,179,469</u>
Cash flows from investing activities		
Proceeds from sale of assets	\$ 0	\$ 0
Acquisitions of fixed assets	(1,721,515)	(2,047,152)
Net cash provided (used) by investing activities	<u>\$ (1,721,515)</u>	<u>\$ (2,047,152)</u>
Net increase (decrease) in cash	\$ (305,892)	\$ 10,666
Cash and cash equivalents at beginning of year	<u>\$ 766,753</u>	<u>\$ 756,087</u>
Cash and cash equivalents at end of year	<u>\$ 460,861</u>	<u>\$ 766,753</u>
Summary of cash and cash equivalents, end of year		
Cash-unrestricted	\$ 149,030	\$ 430,718
Cash-restricted	311,831	336,035
	<u>\$ 460,861</u>	<u>\$ 766,753</u>

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

FAYETTE WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2015, and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 23,696	\$ (475,218)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation Expense	\$ 341,322	\$ 359,886
Loss on Disposal of Asset	14,287	352,276
Assumption of memberships	(2,800)	(500)
Bad Debts	0	0
(Increase) Decrease in:		
Accounts Receivable	(12,989)	31
Inventory	(593)	(25,829)
Prepaid Expenses	(18,708)	0
Increase (Decrease) in:		
Accounts Payable	(31,433)	(304,130)
Compensated Leave Payable	(531)	559
Accrued interest payable	(8,068)	(28,726)
Total adjustments	<u>\$ 280,487</u>	<u>\$ 353,567</u>
Net cash provided by operating activities	<u>\$ 304,183</u>	<u>\$ (121,651)</u>

Noncash investing, capital and financial activities:

When a member terminates the membership either by request or by liquidation due to delinquency, the membership fee is applied to any outstanding debt on the account, then assumed by the Corporation. The membership fee is non-refundable upon termination of services.

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

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 1: BACKGROUND

Fayette Water Supply Corporation was incorporated on November 5, 1973, as a Texas Non-Profit Corporation. The Corporation was formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of LaGrange, Texas, and the surrounding rural areas in Fayette County. Individuals who desire to have this service must become members of the Corporation. The governing body consists of a Board of Directors totaling seven members. These directors are elected by the Corporation's members at the annual meeting and they service without any type of compensation. The Corporation selects its own management staff, sets its user charges, establishes its own budgets, and controls all aspects of daily operations. It receives no funding from any outside entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

Assets, liabilities, income and expense are recognized on the accrual basis of accounting.

Advance Memberships

Cash is received from customers and held in escrow. The monies are released from escrow and paid to the operating account once the water system has been connected to their property.

Property and Depreciation

Property and equipment are recorded at cost. For financial statement reporting, depreciation is provided on the straight line method over the estimated useful lives of the assets. The Corporation capitalizes net interest costs and interest earned as part of the cost of construction of its facilities. The useful lives of property, plant and equipment for the purpose of depreciation are:

Water Systems & Wells	10 - 40 years
Building	31.5 years
Computers & Equipment	5 - 7 years
Vehicles	5 years

Tax Status

The organization is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code. The Corporation is required to file Form 990 – Return of an Organization Exempt from Income Tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to financial statements and therefore no adjustments have been included in the financial statements for 2015. With a few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

Inventory

Inventory is valued at cost, using FIFO, (first in, first out).

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Corporation considers all highly liquid assets with a maturity of three months or less to be cash equivalents.

Compensated Absences

The Corporation provides its employees with vacation leave. The liability for the unpaid leave at year-end is included in these financial statements.

Method of Determining Uncollectibility and Writing off Receivables

The Corporation sells water to members who generally pay within thirty days. Accounts for which no payment has been received for one month are considered delinquent and customary collection efforts are initiated, and the customer's water service is terminated. Amounts owed are first offset with the \$100 membership fees and any remaining amounts are written off. The membership fee is generally sufficient to cover amounts owed. Collections on accounts previously written off are included in income as received. At December 31, 2015, & 2014, an allowance for doubtful accounts of \$5,250 has been established.

Budget

Prior to the beginning of each fiscal year, the manager of the Corporation submits a budget to the Board of Directors for approval. This budget sets forth the proposed expenditures and the means of financing those expenditures.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: DEPOSITS

As of December 31, 2015, and 2014, the carrying amount of the Corporation's balance of cash, including restricted cash, was \$460,861 and \$766,753; the bank balance was \$495,781 and \$775,261 respectively. These deposits were held in six separate banks. As of December 31, 2015, no deposits exceed FDIC coverage however, as of December 31, 2014, deposits at one of the Corporation's banks exceeded FDIC coverage by \$176,269. However, this excess was collateralized by securities pledged by the bank, consisting of U.S. Government Securities having a market value of \$1,180,049 for 2014.

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 4: RESTRICTED CASH

	<u>2015</u>	<u>2014</u>
Reserve Fund	<u>\$ 311,831</u>	<u>\$ 336,035</u>

Provisions of the USDA loan agreement require that Fayette Water Supply Corporation maintain a reserve fund for purposes of meeting its debt requirements. For 2015 and 2014, the amount required is \$337,308 and \$375,060 respectively. The Corporation had, as of December 31, 2015, and 2014, a total reserve balance of \$311,831 and \$336,035 respectively. As of December 31, 2015, the Corporation was not in compliance with this requirement.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015, and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Billed	8,624	9,524
Unbilled	<u>114,113</u>	<u>100,224</u>
Total	<u>122,737</u>	<u>109,748</u>
Less: Allowance for Doubtful Accounts	<u>(5,250)</u>	<u>(5,250)</u>
Total Accounts Receivable	<u><u>117,487</u></u>	<u><u>104,498</u></u>

NOTE 6: CUSTOMER DEPOSITS

	<u>2015</u>	<u>2014</u>
Rental Properties	\$ 1,705	\$ 2,005
Proposed Service Area	<u>13,600</u>	<u>13,700</u>
	<u>\$ 15,305</u>	<u>\$ 15,705</u>

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 7: DEBT

USDA

On November 20, 2012, the Corporation received a loan from the United States Department of Agriculture (USDA) of \$4,145,191 to construct new water well. As of December 31, 2015, the Corporation had drawn \$3,799,051. All debt to USDA is secured by land, buildings, equipment, and distribution lines at the date of instrument plus similar after-acquired property and assignment of future income. The annual principal and interest payments aggregate \$ 214,818 and \$214,818 for 2015 & 2014. Interest payments on the USDA loan for 2015 & 2014 are \$85,949 and \$92,988 respectively.

<u>Date of Instrument</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Balance 12/31/15</u>	<u>Balance 12/31/14</u>	<u>Maturity</u>
06/27/1986	\$ 498,500	7.125%	\$ 81,999	\$ 141,423	06/27/2026
05/09/1979	522,000	5.000%	78,535	104,851	05/09/2019
04/27/1993	242,000	5.250%	159,730	165,787	04/27/2033
02/23/2000	134,000	4.500%	107,065	109,496	02/23/2040
02/23/2000	237,000	4.500%	189,642	193,916	02/23/2040
02/23/2000	150,600	3.250%	113,554	116,849	02/23/2040
08/06/2002	1,126,000	4.500%	950,298	968,446	08/06/2042
08/06/2002	107,000	4.500%	90,278	92,005	08/06/2042
11/20/2012	4,145,191	3.500%	3,799,051	3,655,289	11/20/2052
Total Debt - USDA			\$ 5,570,152	\$ 5,547,862	
Less: Current Portion			(162,460)	(84,735)	
Long-Term portion			\$ 5,407,692	\$ 5,463,127	

Under the USDA loan agreements, loan and grant funds may only be used for specific purposes. As of year end, Fayette Water Corporation appears to be in compliance with these regulations.

CoBank

The Corporation entered into a loan agreement with Co Bank for up to \$2,500,000, at an interest rate of 2.43%, maturing August 20, 2034. The Corporation is not required to make principal payments until March 20, 2016. Funds are drawn as needed and as of December 31, 2015, \$1,679,260 had been drawn. Interest costs on this loan for 2015 & 2014 are \$26,668 and \$15,812 respectively.

<u>Date of Instrument</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Balance 12/31/15</u>	<u>Balance 12/31/14</u>	<u>Maturity</u>
7/31/13	2,500,000	2.43%	\$ 1,679,260	\$ 595,011	2/20/2036
Less:					
Current Portion			(68,157)	-0-	
Long-Term portion			\$ 1,611,103	\$ 595,011	

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 7: DEBT (continued)

Changes in Outstanding Debt

Transactions for the year ended December 31, 2015, are summarized as follows:

	<u>Balance</u> <u>December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2015</u>
USDA	\$ 5,547,882	\$ 217,818	\$ 195,509	\$ 5,570,152
Co Bank	595,011	1,084,249	-0-	1,679,260
Totals	<u>\$ 6,142,893</u>	<u>\$ 1,302,067</u>	<u>\$ 195,509</u>	<u>\$ 7,249,412</u>

The Corporation negotiated with CoBank another loan in the amount of \$3,900,000 for plant construction and distribution line. The new well site is located at the intersection of State Hwy 71 and Loop 543. The proposed 12" distribution line will be from the new plant to the existing West Point Plan. The loan was finalized in 2016.

The principal due for the years ending December 31, is as follows:

2016	\$ 230,617
2017	254,134
2018	235,017
2019	204,129
2020	211,436
Thereafter	<u>6,114,079</u>
	<u>\$ 7,249,412</u>

NOTE 8: FIXED ASSETS

The following is a summary of changes in fixed assets:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/15</u>
Land	\$ 142,411	\$ -	\$ -	\$ 142,411
Wells & Water Facilities	4,461,561	199,876	16,485	4,644,952
Buildings	1,195,636	-	-	1,195,636
Equipment	144,794	15,226	-	160,020
Software	23,000	23,364	-	46,364
Construction in Progress	4,453,560	1,553,413	-	6,006,973
Totals	<u>\$ 10,420,962</u>	<u>\$ 1,791,879</u>	<u>\$ 16,485</u>	<u>\$ 12,196,356</u>
Less: Accumulated Depreciation	<u>(3,802,670)</u>	<u>(341,322)</u>	<u>(2,199)</u>	<u>(4,141,793)</u>
Totals	<u>\$ 6,618,292</u>	<u>\$ 1,450,557</u>	<u>\$ 14,286</u>	<u>\$ 8,054,563</u>

Interest from the Phase VII project totaling \$166,573 was capitalized as construction interest.

Depreciation expense charged to operations for 2015 and 2014 was \$341,322 and \$359,886 respectively. All wells and water facilities are pledged as collateral for loans with USDA.

FAYETTE WATER SUPPLY CORPORATION
DECEMBER 31, 2015 & 2014
Notes to Financial Statements

NOTE 9: MEMBERSHIPS

According to the bylaws, one membership fee entitles the member to one connection to the water main. A person may own more than one membership, but a member is entitled only one vote. The membership is nonrefundable; however, it may be used to offset any unpaid water bills.

NOTE 10: LEASES

The Corporation's only lease obligation consists of rental for one water well site. This lease is long term with fixed payments for 100 years beginning August 2011. Future year's payments for this lease will be \$400 per year.

NOTE 11: COMMITMENTS

The Corporation has entered into a mutual aid agreement with another water district to provide water to each other in emergency situations. No monies are exchanged in this agreement - only gallons of water. As of December 31, 2015, the gallons owed between the entities are minimal.

NOTE 12: RETIREMENT PLAN

The Company offers its full time employees a retirement plan that permits them to defer a portion of their current salary until future years. Any contributions made to the plan are in compliance with Section 401(k) of the Internal Revenue Code, and are not available to employees until termination of employment, retirement, death or an unforeseen emergency. The plan is administered by J V Associates LTD. The employer will match \$.50 for every dollar contributed up to 5% of employee compensation. For the year ending December 31, 2015, and 2014, two employees participated in the plan each respective year with contributions totaling \$24,568 for 2015 and \$11,092 for 2014 for both the employer and employees, and there are no unfunded obligations. Employees are 100% vested at the time the contribution is made.

NOTE 13: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 14: NEW CONSTRUCTION

Subsequent to year-end, the Corporation awarded three new contracts for construction:

1. The replacement of the Swiss Alp Ground Storage Tank costing \$127,300, which will be funded with existing funds of the Corporation.
2. A 12" distribution line from the new well site located on Loop 543 to the existing well site at West Point costing \$643,699, which will be funded with CoBank funds.
3. Constructing a new/parallel replacement water line from the Bluff to Camp Lone Star Road costing \$201,125, which will be funded using the remaining USDA funds available.

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

Fayette Water Supply Corporation
P.O. Box 724
La Grange, Texas 78945

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fayette Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fayette Water Supply Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fayette Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette Water Supply Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency:

Finding 2015-1:

Amounts for accounts payable were not properly accrued at year-end. We recommend that management implement procedures to ensure that the financial statements reflect proper generally accepted accounting principles.

Management's Response:

The Board is aware of this situation and will make the necessary corrections to this problem.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette Water Supply Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding 2015-2:

The Corporation's reserve fund did not meet USDA loan requirements. We recommend that management implement procedures to ensure that the USDA loan requirements are reviewed and followed.

Management's Response:

The Board is aware of this situation and will make the necessary corrections to this problem.

Fayette Water Supply Corporation's Response to Findings

Fayette Water Supply Corporation's responses to the findings identified in our audit are described above. Fayette Water Supply Corporation response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, Texas
March 17, 2016

Medack & Oltmann, LLP
Certified Public Accountants

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To Board of Directors and Management
Fayette Water Supply Corporation

In planning and performing our audit of the financial statements of Fayette Water Supply Corporation as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Fayette Water Supply Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Fayette Water Supply Corporation's internal control to be significant deficiencies:

Inadequate Segregation of Duties

The process of collecting and posting customer payments is lacking the proper segregation of duties. This could result in errors, either intentional or unintentional, which may not be detected in a timely manner.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, Texas
March 17, 2016

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Fayette Water Supply Corporation
March 17, 2016

Other Audit Findings or Issues

In addition to the findings reported to management in a separate letter dated March 17, 2016, we noted the following areas that management should consider:

Monitoring

In regards to our findings regarding the design of controls and segregation of duties, we recommend the general manager or other members of management perform regular monitoring procedures of the financial transactions. Since there is a limited segregation of duties, it is management's responsibility to properly monitor the financial reporting of the corporation.

Monitoring procedures should include:

- A monthly review of the finance-generated reports (particularly billing, collection, and membership reports), as well as other financial information, agreeing those amounts to the general ledger, and noting any unexplained activity or unusual variances. These items should be addressed and corrected as they are discovered.
- A monthly review of the monthly bank account reconciliations by someone other than the individual responsible for the daily bookkeeping procedures.

Non-Compliance with USDA Loan Requirements

We noted that the USDA loan requirement for reserves was not met. Management should review these reserve requirements, especially when a new loan is obtained.

Processing of Accounting Data

We noted improvements in certain areas as mentioned in prior years. However, the following item relating to processing accounting data to be addressed by management:

- We noted that with the exception of accounts payable, the Corporation's financials are being reported on the accrual basis. We encourage management to consider recording payables to complete the process.

This information is intended solely for the use of the Board of Directors and management of Fayette Water Supply Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, Texas

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March 17, 2016

To the Board of Directors and Management
Fayette Water Supply Corporation

We have audited the financial statements of Fayette Water Supply Corporation for the year ended December 31, 2016, and have issued our report thereon dated March 17, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 15, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fayette Water Supply Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Your estimates of the useful lives for depreciation assets is based on industry estimates. We evaluated the key factors and assumptions used to develop the useful lives for depreciating assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Your estimate of the allowance for doubtful accounts is based on historical sales, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements (as reflected in Exhibit 1).

Disagreements with Management

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

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**Fayette Water Supply Corporation
Exhibit 1 (Corrected Misstatements)
December 31, 2015**

Date	Num	Memor	Monies	Account	Account Type	Debit	Credit
12/31/2015	Audit 15-9	To adjust note balance per confirmation (CC 1.1) To adjust note balance per confirmation (CC 1.1)	USDA - Loans 1-18 USDA Rural Develop	Long Term Liability Expense	83,825.93	83,825.93	83,825.93
12/31/2015	Audit 15-10	To capitalize construction interest (C.1.1) To capitalize construction interest (C.1.1)	Phase VII Costs USDA Rural Develop	Fixed Asset Expense	139,904.83	139,904.83	139,904.83
12/31/2015	Audit 15-11	Adjust interest payable as of 12/31/15 (CC 3) Adjust interest payable as of 12/31/15 (CC 3) Adjust interest payable as of 12/31/15 (CC 3)	Accrued Interest Paye Colbalt USDA Rural Develop	Other Current Liability Expense Expense	8,068.04	3,607.08 4,410.96	8,068.04
12/31/2015	Audit 15-12	To capitalize intrest interest for Colbalt (CC 1.3) To capitalize intrest interest for Colbalt (CC 1.3)	Phase VII Colbalt	Fixed Asset Expense	26,868.25	26,868.25	26,868.25
12/31/2015	Audit 15-13	Adjust inventory to audit (D.1) Adjust inventory to audit (D.1)	118C - Inventory Supplies/Materials	Other Current Asset Expense	993.22	993.22	993.22
12/31/2015	Audit 15-14	To reclassify current portion To reclassify current portion To reclassify current portion	Colbalt - Phase VII USDA - Loans 1-18 Notes Payable-Current	Long Term Liability Long Term Liability Other Current Liability	99,157.29 77,726.18	145,882.41	145,882.41
TOTAL						145,882.41	268,841.13

**Fayette Water Supply Corporation
Exhibit 1 (Corrected Misstatements)
December 31, 2015**

Date	Item	Name	Balance	Account	Account Type	Debit	Credit
12/31/2015	Audit 15-1		Adjust compensated leave payable per audit (48.2)	Compensated Leave		530.44	
			Adjust compensated leave payable per audit (48.2)	6999 Payroll Expenses	Other Current Liability Expense		530.44
						530.44	530.44
12/31/2015	Audit 15-2		To reless prepaid health insurance for Jan. 2016 (E 1)	Prepaid Expenses (Pre-Health)	Other Current Asset Expense	18,707.88	
			To reless prepaid health insurance for Jan. 2016 (E 1)	Life			8,414.81
			To reless prepaid health insurance for Jan. 2016 (E 1)	Workman Comp/Demo.	Expense		10,343.04
						18,707.88	18,707.88
12/31/2015	Audit 15-3		To correct air accounts (C 1)	Unleaded Air	Other Current Asset Expense	12,068.34	
			To correct air accounts (C 1)	4191 - Water Sales	Expense		12,068.34
			To correct air accounts (C 1)	4191 - Water Sales	Expense	2,138.97	
			To correct air accounts (C 1)	Account Rec. Inflow of Air Payment Plan	Other Current Asset		2,138.97
			To correct air accounts (C 1)			18,876.21	18,876.21
12/31/2015	Audit 15-4		To book accounts payable to balance as of 12/31/2015 (AA 1)	1999 - Construction In Progress	Fixed Asset Expense	4,313.82	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Employee Uniforms	Expense	227.63	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Other Equipment Rental	Expense	145.34	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Janitors	Expense	366.82	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Office Supplies	Expense	2,482.78	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Public Notices	Expense	120.80	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Repairs	Expense	878.28	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Self-Contractor FHWC	Expense	11,275.88	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Supplies/Materials	Expense	1,446.18	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Telephone/Internet	Expense	488.88	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Utilities	Expense	7,238.86	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Vehicle Fuel	Expense	1,188.27	
			To book accounts payable to balance as of 12/31/2015 (AA 1)	Waste Recycling	Expense	168.00	
		Je Vendor	To book accounts payable to balance as of 12/31/2015 (AA 1)	2219 Accounts pay.	Accounts Payable		30,365.87
						30,365.87	30,365.87
12/31/2015	Audit 15-5		To book retorage as of 12/31/2015 on prepa (AA-2)	Phase VII	Fixed Asset	78,386.80	
			To book retorage as of 12/31/2015 on prepa (AA-2)	Rentage Payable	Other Current Liability		70,365.80
						78,386.80	78,386.80
12/31/2015	Audit 15-6		To book amount payable for inhouse software upgrade (F 2.2)	Software	Fixed Asset	13,650.00	
		Je Vendor	To book amount payable for inhouse software upgrade (F 2.2)	2010 Accounts pay.	Accounts Payable		12,858.00
						13,650.00	13,658.00
1/31/2015	Audit 15-7		To record disposal of jurist assets (F 2)	Water Lines	Fixed Asset	2,188.88	
			To record disposal of jurist assets (F 2)	Accumulated Deprec.	Fixed Asset		18,486.80
			To record disposal of jurist assets (F 2)	Gart (Less) Net Sale	Other Income	14,287.00	
						18,688.00	18,688.00
12/31/2015	Audit 15-8		To adjust 2015 depreciation per audit (F 4)	Accumulated Deprec.	Fixed Asset	27,878.25	
			To adjust 2015 depreciation per audit (F 4)	Build & Equip Deprec.	Expense		27,878.25
						27,878.25	27,878.25

FWSC Projects for 2017

Budget Funds Available

\$344,420.00

Priority Projects

1 Swiss Alp Well	
a. Replacing Backwash Media	\$35,000.00
2 Muldoon Standpipe	
a. Sandblast and Paint	\$115,000.00
b. Inspection of Sandblast and Paint	\$3,500.00
c. Engineering	\$9,500.00
d. Contingency (10%)	\$12,800.00
	<u>\$140,800.00</u>
3 Swiss Alp Filters & Rutgersville Pressure Tank	
a. Sandblast and Paint	\$30,000.00
b. Inspection of Sandblast and Paint	\$3,000.00
c. Engineering	\$9,200.00
d. Contingency (10%)	\$4,200.00
	<u>\$46,400.00</u>
4 Panorama Standpipe	
a. Sandblast and Paint	\$115,000.00
b. Inspection of Sandblast and Paint	\$3,500.00
c. Engineering	\$9,500.00
d. Contingency (10%)	\$12,800.00
	<u>\$140,800.00</u>
	<u><u>\$18,580.00</u></u>
Remaining Budget Funds	

Additional Projects Needed

1 West Point GST	
a. Replace GST	130,000.00
2 Walhalla Well	
a. Upgrade for Compliance	\$70,000.00
3 Well Maintenance Plan	
a. Camara 5 wells (5,000.00/well)	\$25,000.00
4 Increase Reserve Funds	
a. Additional Reserve Per Requirement	250,000.00
5 New Piping and Vales	
a. Swiss Alp, Walhalla and Rutgersville	60,000.00
6 Update Mapping System	20,000.00
7 GST Mixer for Roy Rd	10,000.00
8 Additional Valves for Leak Repairs	30,000.00
9 Additional Sample Stations and Taps	50,000.00
10 Numerous line upgrades needed throughout the system for compliance	
See attached for further details.	

Fayette Water Supply Corporation
2016-2017 Working Budget Summary

	Projected Budget		Actual as of 08-30-2016 Jan - Dec 16	Remaining Budget Jan-Dec 16	Projected Budget	
	Without Depr.	With Depr.			Without Depr.	With Depr.
	Jan - Dec 16	Jan - Dec 16			Jan - Dec 17	Jan - Dec 17
Ordinary Income/Expense						
Income						
Collection of Bad Debt			951.04			
PCWCD Contract Services						
Interest Income	3,600.00	3,600.00	1,605.55	1,993.45	3,600.00	3,600.00
New Installations						
Equity Buy In	84,000.00	35 84,000.00	103,130.00	42,971	96,000.00	40 96,000.00
Installation	50,750.00	35 50,750.00	62,603.52	43,175	58,000.00	40 58,000.00
Line Extensions(s)	1,200.00	1,200.00	15,732.00	14,532.00	3,000.00	3,000.00
Reconnection Fee	600.00	12 600.00	690.00	13	600.00	12 600.00
Transfer Fee	300.00	60 300.00	215.00	43	300.00	60 300.00
New Installations - Other						
Total New Installations	136,850.00	136,850.00	182,330.52	45,480.52	157,900.00	157,900.00
4100 - Income				0.00		
4101 - Water Sales	2,400,000.00	2,400,000.00	1,160,222.75	1,219,777.25	2,400,000.00	2,400,000.00
* Note - Water Sales are projected using a 10 year and 5 year data spreadsheet with a 5% growth rate. Climate history and predictions have been considered in the projections.						
4102 Cut Lock Fee			100.00	1	100.00	
4103 Account Privacy Fee			205.00	41	205.00	
4104 Service Trip Fee			500.00	25	500.00	
4105 - Late Fees	10,000.00	10,000.00	18,975.00	1265	8,975.00	10,000.00
4106 - administration fees	10,000.00	10,000.00	8,650.00	173	1,350.00	10,000.00
4109 - Returned Ck Fees	500.00	500.00	825.00	33	325.00	500.00
Total 4100 - Income	2,420,300.00	2,420,300.00	1,209,477.75	1,211,022.25	2,420,300.00	2,420,300.00
4200 - Waterline Repairs	8,000.00	8,000.00	14,064.20	6,064.20	8,000.00	8,000.00
4999 - Uncategorized Income	2,568,950.00	2,568,950.00	1,408,450.06	1,160,499.94	2,568,950.00	2,568,950.00
Total Income	2,568,950.00	2,568,950.00	1,408,450.06	1,160,499.94	2,568,950.00	2,568,950.00
Gross Profit						

Application Attachment
Exhibit "16E"

Expense	1,200.00	1,200.00	1,200.00	1,200.00
Advertising				
Auto				
Auto Misc.				
Vehicle Fuel	15,000.00	15,000.00	187.84	20,000.00
Adjusted Fuel Cost for above 2.384 per gallon	10,000.00	10,000.00	3,893.15	10,000.00
Vehicle Inspection	60.00	60.00	27.00	60.00
Vehicle Maint/Repairs	4,000.00	4,000.00	2,296.71	4,000.00
Vehicle Tags	300.00	300.00	113.75	900.00
Total Auto	29,360.00	29,360.00	15,915.27	34,960.00
Bank Charges	200.00	200.00	60.00	600.00
Bldg & Equip Depreciation	400,000.00	270,000.00	270,000.00	400,000.00
Christmas Gift	8,000.00		8,000.00	8,000.00
Continuing Education/Employee	10,000.00	10,000.00	2,991.70	5,000.00
Budget for 2016 was with the training needed for New Billing Software, which will not be needed in 2017.				
Donation/Charity	15,000.00	15,000.00	14,700.00	15,000.00
Dues	4,500.00	4,500.00	472.50	4,500.00
Employee Gifts/Flowers	120.00	120.00	65.87	120.00
Employee Uniforms				
Uniform Cleaning	6,500.00	6,500.00	88.80	6,500.00
Uniform Purchases	300.00	300.00	300.00	300.00
Employee Uniforms - Other	100.00	100.00	327.63	100.00
Total Employee Uniforms	6,900.00	6,900.00	716.43	6,900.00
Equipment Rental				
Office Equipment Rental	5,000.00	5,000.00	1,692.55	5,000.00
Operations Equipment Rental	3,000.00	3,000.00	748.12	3,000.00
Equipment Rental - Other	2,000.00	2,000.00	2,000.00	2,000.00
Total Equipment Rental	10,000.00	10,000.00	4,440.67	10,000.00
Equipment Repairs	2,000.00	2,000.00	83.50	2,000.00
Equipment/Tools	1,500.00	1,500.00	2,324.59	1,500.00
Fayette County Property Taxes			67.71	
Freight/Delivery	2,500.00	2,500.00	1,110.74	2,500.00
Insurance Billing Supplies	2,000.00	2,000.00	2,000.00	2,000.00
INSURANCE			0.00	

Application Attachment
Exhibit "16E"

Health	105,000.00	105,000.00	39,471.89	105,000.00	105,000.00
Life	1,200.00	1,200.00	224.81	1,200.00	1,200.00
Workman CompGeneral Liability	35,000.00	35,000.00	5,525.82	35,000.00	35,000.00
Total INSURANCE	141,200.00	141,200.00	45,222.52	141,200.00	141,200.00
Interest					
Collateral	35,000.00	35,000.00	58,885.52	200,000.00	200,000.00
*The more funds that are used, the more interest will need to be paid.					
USDA Rural Development	325,000.00	325,000.00	133,602.28	325,000.00	325,000.00
Total Interest	390,000.00	390,000.00	74,716.76	525,000.00	525,000.00
Licensing	900.00	900.00	567.00	900.00	900.00
Office Supplies					
Computer Repairs/Maint.	3,000.00	3,000.00	2,004.90	3,000.00	3,000.00
Office Supplies	30,000.00	30,000.00	6,578.06	30,000.00	30,000.00
New Computer(s)	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Printing	6,000.00	6,000.00	1,368.97	6,000.00	6,000.00
Office Supplies - Other	10,000.00	10,000.00	12,337.76	10,000.00	10,000.00
Total Office Supplies	55,000.00	55,000.00	15,133.57	55,000.00	55,000.00
Other Expenses					
Exterminator	600.00	600.00	150.00	600.00	600.00
Filing Right-of-Way Easements	5,000.00	5,000.00	3,278.00	5,000.00	5,000.00
Janitorial	4,000.00	4,000.00	2,800.00	4,000.00	4,000.00
Misc. Expenses	20,000.00	20,000.00	20,543.26	20,000.00	20,000.00
Trash service	1,200.00	1,200.00	11.69	1,200.00	1,200.00
Other Expenses - Other	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Total Other Expenses	56,800.00	56,800.00	51,782.95	55,800.00	55,800.00
Permit	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Phase 7					
Phase 7 expenses			40.00		
Total Phase 7			40.00		
Postage					
PO Box Rental	50.00	50.00	2.00	50.00	50.00
Postage	15,000.00	15,000.00	2,419.86	15,000.00	15,000.00
Postage Machine	1,000.00	1,000.00	623.19	1,000.00	1,000.00
Postage - Other	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00

Application Attachment
Exhibit "16E"

Total Postage, Professional/Legal Fees	26,050.00	26,050.00	13,045.05	26,050.00	26,050.00
Audit					
Engineering	12,500.00	12,500.00	2,500.00	12,500.00	12,500.00
*Additional added for Interconnect with City of LG and a Study for water transfer from West to East under the Colorado River.	1,500.00	1,500.00	955.00	21,000.00	21,000.00
JV Associates, Ltd	2,000.00	2,000.00	1,100.00	2,000.00	2,000.00
Legal			1,389.88		
Total Professional/Legal Fees	16,000.00	16,000.00	1,255.12	33,500.00	33,500.00
Public Notices	2,000.00	2,000.00	433.00	2,000.00	2,000.00
Refund					
RENT BUILDING					
Railroad Crossing/Rental	550.00	550.00	52.25	550.00	550.00
Total RENT BUILDING	550.00	550.00	52.25	550.00	550.00
Repairs			704.93		
Software Renewal	10,000.00	10,000.00	5,026.60	10,000.00	10,000.00
* Note - Cost Increased due to new SCADA					
Sub Contractor FWSC	300,000.00	300,000.00	151,144.70	300,000.00	300,000.00
Supplies/Materials					
Chemical	20,000.00	20,000.00	1,164.55	50,000.00	50,000.00
*Chemical cost increased due to Barnes Well being placed in service.					
supplies/materials	300,000.00	300,000.00	190,454.43	300,000.00	300,000.00
supplies/materials - Other	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
*Additional cost needed for additional system valves, line upgrades and updating maps. (See Attached)					
Total Supplies/Materials	420,000.00	420,000.00	291,618.98	450,000.00	450,000.00
Tank Inspection	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Telephone/Internet					
Answering Service	1,800.00	1,800.00	450.00	1,800.00	1,800.00
AT & T - FM 1115			0.00		
BUCKNERS TELEPHONE			70.21		
Colorado Valley - West Point			0.00		
FWSC Call Phones	6,000.00	6,000.00	2,683.61	6,000.00	6,000.00
PANORAMA/TELEPHONE			70.21		
Telephone/Internet - Other	2,000.00	2,000.00	2,469.86	2,000.00	2,000.00
Total Telephone/Internet	9,800.00	9,800.00	5,463.05	9,800.00	9,800.00

Application Attachment
Exhibit "16E"

Travel						
Hotel	3,500.00	3,500.00	3,175.18	325.84	3,500.00	3,500.00
Meals	3,500.00	3,500.00	2,348.08	1,151.94	3,500.00	3,500.00
Travel	500.00	500.00	413.04	86.96	500.00	500.00
Total Travel	7,500.00	7,500.00	5,934.28	1,565.74	7,500.00	7,500.00
Utilities						
Electricity						
Barnesberry T1	10,000.00	10,000.00		10,000.00	15,000.00	15,000.00
* Note - Well projected to be online around November of 2016						
Brewer Electric	18,000.00	18,000.00	11,983.47	6,016.53	15,000.00	15,000.00
BUCKNERS ELECTRIC	1,500.00	1,500.00	1,033.27	466.73	1,500.00	1,500.00
FM 1116 ELECTRIC	25,000.00	25,000.00	13,885.48	11,114.51	18,000.00	15,000.00
FM 609 PLANT ELECTRIC	1,700.00	1,700.00	1,270.00	430.00	1,700.00	1,700.00
Muldoon Elevated Tower	8,000.00	8,000.00	5,098.84	2,901.36	8,000.00	8,000.00
Office & Warehouse	8,000.00	8,000.00	2,568.88	3,441.34	6,000.00	6,000.00
PANORAMA ELECTRIC	8,000.00	8,000.00	2,228.86	3,773.35	6,000.00	6,000.00
RUTERSVILLE ELECTRIC	18,000.00	18,000.00	11,730.86	4,269.34	15,000.00	15,000.00
SWISS ALP ELECTRIC	20,000.00	20,000.00	11,204.04	8,795.96	15,000.00	15,000.00
WALHALLA ELECTRIC	20,000.00	20,000.00	9,708.13	10,250.87	15,000.00	15,000.00
WEST POINT WELL ELECTRICITY	21,000.00	21,000.00	14,795.34	6,204.66	15,000.00	15,000.00
Electricity - Other	30,000.00	30,000.00	-7,288.85	37,259.85	10,000.00	10,000.00
Total Electricity	183,200.00	183,200.00	78,235.50	104,964.50	138,200.00	138,200.00
Total Utilities	183,200.00	183,200.00	78,235.50	104,964.50	138,200.00	138,200.00
Wellhead Well Site Rental	400.00	400.00		400.00	400.00	400.00
Water Testing	8,000.00	8,000.00		3,883.20	8,000.00	8,000.00
Well Sites						
608 Well expenses	200.00	200.00		200.00	200.00	200.00
Brewer Well Site	9,000.00	9,000.00	713.92	8,286.08	9,000.00	9,000.00
Business	200.00	200.00		200.00	200.00	200.00
Custom Repairs & Maintenance	9,000.00	9,000.00	878.38	8,121.62	9,000.00	9,000.00
Muldoon Elevated Tower	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00
Muldoon Standpipe Repairs	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00
Pennerne Storage Tank	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00
Pennerne Standpipe Repairs	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00

Application Attachment
Exhibit "16E"

Rutensville Well Repairs	9,000.00	9,000.00	1,600.00	7,400.00	9,000.00	9,000.00
Swiss Alp Expenses	9,000.00	9,000.00	3,047.05	5,952.95	9,000.00	9,000.00
Walhalla Well Expenses	9,000.00	9,000.00	1,298.98	7,701.02	9,000.00	9,000.00
West Point Well Repairs	9,000.00	9,000.00	3,920.89	5,079.11	9,000.00	9,000.00
Well Sites - Other	30,000.00	30,000.00		30,000.00	30,000.00	30,000.00
Total Well Sites	92,400.00	92,400.00	11,459.22	80,940.78	92,400.00	92,400.00
6600 - Payroll Expenses						
401(k) Savings-Employee	600.00	600.00	-5,725.70	6,325.70	600.00	600.00
401(k) Savings-Employer	10,000.00	10,000.00	3,394.70	6,605.30	10,000.00	10,000.00
Gross Salaries	400,000.00	400,000.00	288,982.23	111,037.77	400,000.00	400,000.00
Paychar Payroll Fees	3,500.00	3,500.00	2,288.68	1,211.32	3,500.00	3,500.00
Payroll Taxes Expense	35,000.00	35,000.00	26,861.01	8,138.99	35,000.00	35,000.00
Total 6600 - Payroll Expenses	449,100.00	449,100.00	315,780.92	133,319.08	449,100.00	449,100.00
8600 Business Expenses						
8610 Bad Debt Expenses			808.15	808.15		
6999 - Uncategorized Expenses	30,000.00	30,000.00	345.00	29,655.00	30,000.00	30,000.00
Total Expense	2,293,180.00	2,293,180.00	1,479,202.25	1,213,977.75	2,585,380.00	2,585,380.00
Net Ordinary Income	275,770.00	275,770.00	-70,752.19	53,477.81	4,820.00	4,820.00
Other Income/Expense						
Other Income						
Gain (Loss) from Sale of Assets			1,900.00			
Membership Assumption			1,477.77	1,477.77		
Misc Income			3,377.77	3,377.77		
Total Other Income			3,377.77	3,377.77		
Net Other Income			67,374.42	67,374.42		
Net Income						
Net Income (Excluding Depreciation)			202,625.58			

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AQUA

WATER SUPPLY CORPORATION
Safe • Reliable • Sustainable

James Rebeck
General Manager
Fayette Water Supply Corporation
P.O. Box 724
La Grange, Texas 78945

November 7, 2016

Re: Retail Water Utility Service to Properties Located near Bastrop/Fayette County Line and Within Aqua Water Supply Corporation's Retail Water CCN Service Area

Dear Mr. Rebeck:

The purpose of this letter is to demonstrate the agreement between Aqua Water Supply Corporation and Fayette Water Supply Corporation that authorizes Fayette WSC to provide retail water service to a select number of properties located in Aqua WSC's retail water Certificate of Convenience and Necessity (CCN) service area along the Bastrop/Fayette County line. Currently the residents of these properties are without potable water service and in some instances are forced to haul potable water from another area to their homes.

During our discussions concerning the provision of retail water service to these residents, Aqua WSC completed a Feasibility Study that demonstrated it was not economically feasible to the residents or to Aqua WSC at this time to construct water lines with the sufficient capacity to serve the thirty (30) residents. It is Aqua WSC's understanding Fayette WSC has sufficient water lines and capacity near the Fayette/Bastrop County line adjacent to the area of that was the subject of the Feasibility Study and Fayette WSC is willing and able to provide retail water service to these residents. In general, the resident's properties are specified as follows:

- From Fayette/Bastrop County line on Rosanky/Cistern Road to address 497 Cistern Road
- Robbins Cemetery Road
- Patterson Road
- Migl-Psencik Road
- Hellinger Road

See Attachment 1 for complete list of residents and properties to be served by Fayette WSC.

At this time, a decision has not been made by Aqua WSC to either transfer or to not transfer the specific CCN service area from Aqua WSC to Fayette WSC. At some time in the future, Aqua WSC may or may not develop infrastructure in this area. However, for the purpose of this letter, the authorization by Aqua WSC for Fayette WSC to serve the identified properties should be considered permanent.

In addition to the 24 listed properties, there are an additional thirty-one (31) properties either owned by the listed residents or located near the specific service area under discussion that may be eligible to receive retail water service from Fayette WSC in the future and may also be included in a future transfer of retail water CCN service area. The total properties under consideration comprise approximately 1,900 acres (about three square miles) and are listed by property ID numbers in the table below.

Application Attachment
Exhibit "19"

R103293	R17403	R19374	R66246
R103294	R17406	R19377	R70037
R103295	R17414	R19740	R72225
R103296	R17430	R19746	R86733
R103297	R17434	R42761	R87120
R103298	R18462	R42830	R87222
R103299	R18477	R44601	R87249
R103300	R18486	R44674	R87406
R103339	R18489	R44675	R87407
R109141	R19344	R44676	R88044
R118517	R19347	R44710	R88045
R17388	R19350	R47405	R88046
R17394	R19365	R63621	R98159
R17397	R19368	R64284	

If Fayette WSC is agreeable to these conditions, please indicate your acceptance of them by signing below and returning a signed copy of this letter to me.

If you have any questions, please contact me.

Dave McMurry
General Manager
Aqua Water Supply Corporation

Acknowledgement / Agreement:

James Rebecsek
General Manager
Fayette Water Supply Corporation

Date: _____

Application Attachment
Exhibit "19"

Attachment 1

Meters	Property ID	Last Name	First Name	Mailing Address	City	State	Zip	Property Address	Legal Acreage
Cistern Road (Rosanky Road)									
1	103300	Dorington	Reinhard	802 Cistern Rd.	Flordia	TX	78941	828 Cistern Rd.	10.597
1	103297	Meyer	Nancy	2765 Citation Dr.	Del Valle	TX	78617	784 Cistern Rd.	10.332
1	103294	Ruyle	Jeremy	104 Royal One Dr.	Bastrop	TX	78602	730 Cistern Rd.	10.335
1	103293	Cochran Family Limited Partnership		2337 Wilson Rd.	El Campo	TX	77437	708 Cistern Rd.	10.226
1	19350	Cochran Family Limited Partnership		2337 Wilson Rd.	El Campo	TX	77437		10.201
1	19746	Vinklarek	Jerry Wayne	2419 Del Norte	Houston	TX	77018	671 Cistern Rd.	51.6
1	18489	Ernis	Sylvester & Darlene	497 Cistern Rd.	Rosanky	TX	78953	497 Cistern Rd.	83.5
Migli-Psencik Road									
4	19344	Migli	Edna Mae Vinklarek	212 Migli-Psencik Rd	Flordia	TX	78941	212 Migli-Psencik Rd.	150
1	70037	Psencik	Evelyn	4317 Avenida Gregory	Spring Valley	CA	91977	147 Migli-Psencik Rd.	116
Robbins Cemetery Road									
1	118517	Vinklarek	Scott	236 Robbins Cemetery Rd.	Flordia	TX	78941	236 Robbins Cemetery Rd.	3.196
1	17430	Bordages	Louis & Joyce	15718 Mesa Gardens	Houston	TX	77095	195 Robbins Cemetery Rd.	2.078
1	42781	Hellinger	Alfred	175 Robbins Cemetery Rd.	Flordia	TX	78941	175 Robbins Cemetery Rd.	43.14
1	19347	Rodina Ranc LLC (ETAL)		550 E. Lafayette St. #34	La Grange	TX	78945		96
1	17388	Rodina Ranc LLC (ETAL)		550 E. Lafayette St. #34	La Grange	TX	78945	236 Robbins Cemetery Rd.	92.804
Patterson Road									
1	19374	Matlock	Marie Peters & Susan Gabrysch	1601 Lynn St.	El Campo	TX	77437	1088 Patterson Rd.	120.661
1	64284	Watson (Simons)	Dianne	23610-A Hamilton Pool Rd.	Dripping Spring	TX	78620	895 Patterson Rd.	187.083
1	103339	Rene & Jinni Castaneda Family Trust		133 Bridgewater Dr.	La Vernia	TX	78121	1083 Patterson Rd.	24.997
Hellinger Road									
1	68246	Meuth	Patrick & Henrietta	282 Lehman Ln	Bastrop	TX	78602		20.79
1	98159	Pierce	Brian & Samantha	282 Klaus Ln	Red Rock	TX	78662	163 Hellinger Rd.	30.007
1	44601	Hellinger	Beno	5705 Avenue C	Austin	TX	78752	243 Hellinger Rd.	36.35
1	87407	Coon	John	163 Lobolly Ln	Bastrop	TX	78602		10.1
1	47405	Hellinger	Charles	304 Hellinger Rd.	Flordia	TX	78941	304 Hellinger Rd.	20.196
1	88045	Grange	Abby	3201 Hollywood Ave	Austin	TX	78722	342 Hellinger Rd.	10.26
1	88045	Weeks	Terry & Kay Mailander	1807 Nueces St.	Austin	TX	78701		13.485
1	87120	Holan	John & Carmen Wallace	PO Box 451	Smithville	TX	78947	330 Hellinger Rd.	13.889
1	87222	Grange	Abby	3201 Hollywood Ave	Austin	TX	78722		10.512
1	87249	Bunte	Mark and Rebecca	507 Cleveland St	Smithville	TX	78957	406 Hellinger Rd.	25

PUCT Application for Sale, Transfer, or Merger of a Retail Public Utility - Previous TCEQ Form 1516
Portion of CCN Transfer from Aquat WSC CCN No. 10294 to Fayette WSC CCN No. 10726

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Exhibit "24.b.3"

(1 of 2)

Description of Proposed CCN Transfer Area –

Beginning at point along the western ROW of Bastrop County Road 328 (Cistern Road) approximately 1.4 miles east from the intersection from Bastrop County Road 297 and Bastrop County Road 328 (Cistern Road), just south of a private dirt driveway.

From this point, the Proposed CCN Transfer Area follows the western ROW of County Road 328 (Cistern Road) in a southeasterly direction for approximately 815' before crossing County Road 328 and heading in an east / southeasterly direction for approximately 2,470' and then heading in a due southerly direction 2,800'.

At this location, the proposed CCN transfer area heads in a northeasterly direction for 1,720' before turning and heading in a southeasterly direction for approximately 1,850', and then heading back in a northeasterly direction for approximately 2,666' to a turn in County Road 307 (Patterson Road), creating a "W" pattern for the proposed CCN transfer area in this area.

From this point along the southern ROW of County Road 307 (Patterson Road), the proposed CCN transfer area follows the southern ROW for 715' and then crosses County Road 307 (Patterson Road) for a total distance of 3,500' before turning and heading due south for an approximate distance of 1,300' before turning and heading due east approximately 1,940' before turning north for 321' and turning again and heading due east approximately 950' to the western ROW of County Road 308.

From this location, the Proposed CCN Transfer Area follows the western ROW of County Road 308 south for approximately 1,360' before turning in a southwesterly direction for approximately 30' before turning and heading due south approximately 40' and crossing County Road 308 (Hellinger Road).

The Proposed CCN Transfer Area then heads in an easterly direction for 70' before turning north for approximately 17', then turning and heading east for approximately 590' before turning north for approximately 96' before turning east, and continuing for approximately 260' to the Bastrop / Fayette County line and continuing on an additional 40' for a total distance of 300' for this segment.

From this point, the Proposed CCN Transfer Area will head in a southwesterly direction following the Bastrop / Fayette County line for 6,270' before crossing Bastrop County Road 309 (Robbins Cemetery Road) once, and then again in an additional 483'.

Exhibit “24.b.3.”

(2 of 2)

The Proposed CCN Transfer Area will then continue in a southwesterly direction, following the Bastrop / Fayette County line approximately 3,250' before intersecting County Road 328 (Cistern Road) and then continue on for an additional 830' for a total distance of 4,080' before turning and heading due west for approximately 3,105'. From this location, the proposed CCN transfer area heads due north for approximately 1,090' and crossing a dirt unimproved road named Migl Psencik Lane.

From this point on the north side of the road, the Proposed CCN Transfer Area heads due west approximately 1,450' before turning and heading in northeasterly direction for 2,116' before turning and heading due north and following a fence line near four (4) ponds and crossing County Road 307 (Patterson Road) for a total of approximately 2,770'.

Following the north ROW of County Road 307 (Patterson Road), the Proposed CCN Transfer Area follows County Road 307 (Patterson Road) west in a northwesterly direction for approximately 3,670' before turning and following a dense tree line in a north / northeast and heading 5,010' to a private dirt drive and then turning and heading in a southeasterly direction for 567' to the point of beginning in the western ROW of County Road 328 (Cistern Road).

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