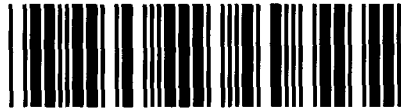




Control Number: 47268



Item Number: 7

Addendum StartPage: 0

Tyler N. Hendrickson, P.E.
Corey A. Frentress, P.E.
W. Wayne Weeks, P.E.
Neal E. Velvin, P.E.



930 E. Corsicana Street
P.O. Box 1007
Athens, Texas 75751

July 18, 2017

RECEIVED
2017 JUL 19 AM 10:32
PUBLIC UTILITY COMMISSION
FILING CLERK

Public Utility Commission of Texas
Attention: Filing Clerk
P O Box 13326
Austin, Texas 78711-3326

RE: Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN) Docket: 47268

Enclosed you will find seven copies and two CD's of the revised version of Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN) for RPM WSC for your review and approval.

If you have any questions or would like any additional information please give me a call at 903-675-3903.

Cordially Yours,
Velvin & Weeks Consulting Engineers, Inc.

A handwritten signature in black ink, appearing to read 'Melissa Windham', with a stylized flourish at the end.

Melissa Windham

/cf

Enclosures



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Docket Number: _____

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

7 copies of the application, including the original, 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 JUL 19 AM 10:33
PUBLIC UTILITY COMMISSION
FILING CLERK

If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required.

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Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Purpose of Application

<input type="checkbox"/> Obtain	<input type="checkbox"/> New Water CCN	<input type="checkbox"/> New Sewer CCN
<input type="checkbox"/> Amend	<input checked="" type="checkbox"/> Water CCN# (s) <u>10787</u>	
<input type="checkbox"/> Amend	<input type="checkbox"/> Sewer CCN#(s) _____	

1. Applicant Information

Applicant

Utility name: RPM Water Supply Corporation

Certificate number: 10787

Street address (City/ST/ZIP/Code): 5765 SH 64 Ben Wheeler, Texas 75754

Mailing address(City/ST/ZIP/Code): 5765 SH 64 Ben Wheeler, Texas 75754

Utility Phone Number and Fax: (903) 852-7727

Contact information

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

Name: Robert Young

Title: General Manager

Mailing address: 5765 SH 64 Ben Wheeler, Texas 75754

Email: rpmwsc@yahoo.com

Phone and Fax: (903) 852-7727

List all counties in which service is proposed:

Henderson & VanZandt

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

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

B. If the applicant is a For-Profit business or corporation, please include the following information:

- i. A copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State: _____
- iii. A listing of all stockholders and their respective percentages of ownership.
- iv. A copy of the company's organizational chart, if available.
- v. A list of all directors and disclose the title of each individual.
- vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant.

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide:

- i. A copy of the Articles of Incorporation and By-Laws.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identification of all board members including name, address, title, and telephone number.
- iv. A copy of the corporation's *Certificate of Account Status* from the Texas Comptroller of Public Accounts.

2. Location Information

- A. Are there people already living in the proposed area? ☒ Yes ☐ No
- If YES, are any currently receiving utility service? ☐ Yes ☐ No
- If YES, from WHOM? RPM WSC and Edom WSC

B. Demonstrate the Need for Service by providing the following:

Have you received any requests for service in the requested service area?

☐ Yes ☒ No

If YES, provide the following:

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

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

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

☐ Yes ☒ No

If YES, within the corporate limits of: _____

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

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

☐ Yes ☒ No

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

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

The area was decertified from Edom WSC in an earlier docket (45459), we are now seeking to add this area to the RPM WSC CCN.

3. Map Requirements

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

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

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

Digital data submitted in a format other than ArcView shape file or Arc/Info E00 file may result in the delay or inability to review applicant's mapping information.

For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.

4. New System Information or Utilities Requesting a CCN for the First Time

- A. Please provide the following information:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? ☐ Yes ☐ No

- i. If yes, please provide documentation of the denial of service and go to c.
- ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.
- C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:
- D. Date of plat approval, if required: _____
Approved by: _____
- E. Date Plans & Specifications submitted to the TCEQ for approval: _____
_____ Attach copy of approval letter, if available. If the letter is not available by the time your CCN application is submitted, please supplement your application with a copy of the letter once you receive it from the TCEQ.
- F. Date construction is scheduled to commence: _____
- G. Date service is scheduled to commence: _____

5. Existing System Information

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

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

2	3	4	0	0	1	6

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

- iii. Date of last TCEQ water and/or sewer system inspection(s): 1/28/2015
- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s).
- v. For each system deficiency listed in the TCEQ inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

TCEQ Water System			TCEQ Sewer System		
Other:			Other:		
Total Water	814	814	Total Sewer		

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

No existing sewer service is within this area. Individual septic tanks are in use.

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

n/a

G. Effect of Granting a Certificate Amendment.

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i. the applicant,
- ii. any retail public utility of the same kind already serving the proximate area; and
- iii. any landowner(s) in the requested area.

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

i. ☒ No, (skip the rest of this question and go to #6)

ii. ☐ Yes, Water

Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency basis?

Water Source	% of Total Treatment
	0.00%

Water Source	% of Total Treatment
	0.00%
	0.00%

iii. ☐ Yes, Sewer treatment capacity

Purchased on a

☐ Regular

☐ Seasonal

☐ Emergency basis?

Sewer Source	% of Total Treatment
	0.00%
	0.00%
	0.00%

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

I. Ability to Provide Adequate Service.

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

i. the current and projected density; and

ii. the land use of the requested area.

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

No changes are needed to serve the proposed area, therefore no effects on the land is expected.

6. Financial Information

- A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:
- the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing retail water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
 - Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates

should correlate to the projected growth in connections, shown on the projected profit and loss statement.

- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B. For existing water and/or sewer systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).
- ii. Attach a proposed rate schedule or tariff.

❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**

C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

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

7. Notice Requirements

- A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.
- B. The commission cannot grant a CCN until proper notice of the application has been given. Commission rules do not allow a waiver of notice requirements for CCN applicants.
- C. It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application for use in preparing proposed notices. (Notice forms are available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.
- F. Notice For Publication:
The applicant shall publish the notice in a newspaper with general circulation in the county(ies) where a CCN is being requested. The notice must be published once each week for two consecutive weeks beginning with the week after the notice is received from the commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. Notice To Neighboring Utilities:
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
 - ii. For applications for the issuance of a NEW CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within five (5) miles of the requested service area.

- iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area.
- H. Notice to Customers:
Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application.
- I. The commission may require the applicant to deliver notice to other affected persons or agencies.

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

OATH

STATE OF Texas
COUNTY OF Van Zandt

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

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

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

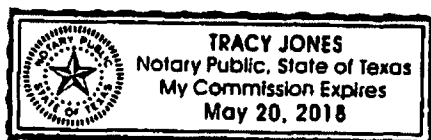
Charlotte Parks
AFFIANT
(Utility's Authorized Representative)

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 16 of March 20 16

SEAL

Tracy Jones
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS



Tracy Jones
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES May 20, 2018

Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN

Van Zandt & Henderson

COUNTY(IES), TEXAS

Name of Applicant RPM Water Supply Corporation has filed an application for a CCN to obtain or amend CCN No. (s) 10787 and to decertify a portion(s) of RPM Water Supply Corporation with the (Name of Decertified Utility)

Public Utility commission of Texas to provide

Water

(specify 1) water or 2) sewer or 3) water & sewer)

utility service in

Van Zandt
Henderson

County
(ies).

The proposed utility service area is located approximately 3 miles Noth & South East [direction] of downtown Edom, [City or Town] Texas, and is generally bounded on the north by SH 64; on the east by VZ CR 4813; on the south by VZ CR 4810; and on the west by VZ CR 4807

The total area being requested includes approximately 22 acres and 11 current customers.

A copy of the proposed service area map is available at (Utility Address and Phone Number): 5765 SH 64 Ben Wheeler, Texas 75754 (903) 883-6445

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

Persons who wish to intervene or comment should file with the PUC at the following address:

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

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

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

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

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

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

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

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

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	RPM WSC			TCEQ Add. ID No. RN No. (optional)	2340016
Investigation Type	C/I	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Sanitary Survey Routine
Regulated Entity Contact	Ben Wusham			Telephone No.	
Title	Operator			Fax No.	
				Date Contacted	
				Date Faxed	

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	PV	290.	Failure to have TCEQ approval to construct well #6
			(Explicitly evaluated @ office)

¹Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.			
Angela M. Lopez	1/28/15	[Signature]	1/28/15
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

**RPM WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

*Profit & Loss
Statement*

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets from Operations after Interest	\$ (108,141)
Adjustments to Reconcile Increase in Net Assets to	
Net Cash provided by Operating Activities:	
Depreciation	150,913
(Increase) Decrease in:	
Accounts Receivable	(3,018)
Prepaid Expenses	(551)
Inventory	(7,000)
Increase (Decrease) in:	
Accounts Payable	934
Accrued Liabilities	8,733
Net Cash Provided by Operating Activities	<u>41,870</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Investments	
Property and Equipment	(11,207)
Disposal of Capital Assets	-
Capitalized Interest	-
Net Cash Provided (Used) by Investing Activities	<u>(11,207)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

New Memberships (Net)	8,156
Impact Fees	25,876
Installment Loan Proceeds	328,660
Repayments on Installment Notes	(387,294)
USDA Grant	-
Net Cash Provided by Financing Activities	<u>(24,602)</u>

Net Increase (Decrease) in Cash	6,061
Cash at Beginning of Year	<u>507,115</u>
Cash at End of Year	<u>\$ 513,176</u>

Supplemental Schedule of Cash Flow Information:

Cash Paid During the Period for:	
Interest	<u>\$ 81,293</u>

See accompanying notes to financial statements.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

BRYAN E ALEXANDER

Is hereby licensed as a

GROUND WATER TREATMENT OPERATOR

Class
C

License Number
WG0011605

Expires
10/06/2018

SIGNATURE

EXECUTIVE DIRECTOR



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Be it known that

ARCHIE B WORSHAM IV

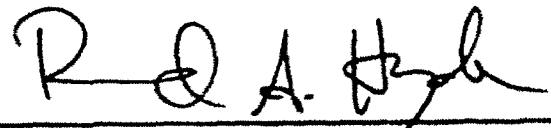
*has fulfilled the requirements in accordance with the
laws of the State of Texas for*

CLASS C GROUND WATER TREATMENT OPERATOR

License Number: WG0008478

Issue Date: 10/15/2015

Expiration Date: 10/20/2018



Executive Director

Texas Commission on Environmental Quality



OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF INCORPORATION
OF

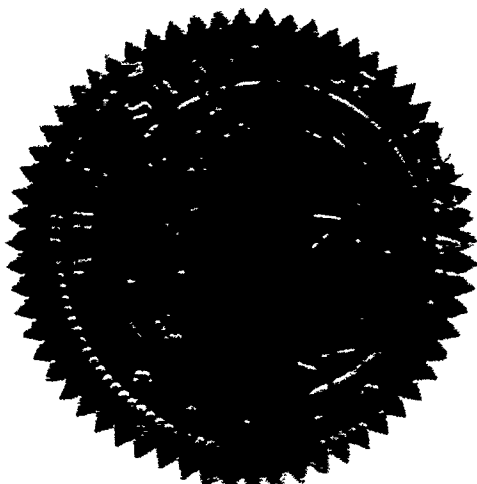
RPM WATER SUPPLY CORPORATION
Charter No. 218616

The undersigned, as Secretary of State of the State of Texas, hereby certifies that duplicate originals of Articles of Incorporation for the above corporation duly signed and verified pursuant to the provisions of the Texas Non-Profit Corporation and Under Article 1434a of R. C. S. of Texas, Ac~~t~~, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a duplicate original of the Articles of Incorporation.

Dated November 24th, 1965

Crawford C. Martin
Secretary of State





Office of the Secretary of State

**CERTIFICATE OF FILING
OF**

RPM WATER SUPPLY CORPORATION
Filing Number: 21861601

The undersigned, as Secretary of State of Texas, hereby certifies that the statement of change of registered agent/office for the above named entity has been received in this office and has been found to conform to law.

ACCORDINGLY the undersigned, as Secretary of State, and by virtue of the authority vested in the Secretary by law hereby issues this Certificate of Filing.

Dated: 07/16/2004

Effective: 07/16/2004



A handwritten signature in black ink, appearing to read "G. Connor".

Geoffrey S. Connor
Secretary of State

BYLAWS
of
RPM WATER SUPPLY CORPORATION

Bylaws of RPM Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I

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.

ARTICLE II

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

ARTICLE III

The Secretary-Treasurer shall have 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 in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer or assistant or deputy secretary, and the President or a designee of that office. 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 annual 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

Section 1. A person must be a member of the Corporation and at least 18 years old in order to serve as a Director. A person is not qualified to serve as a director if the person has been determined by a final judgment of a court exercising probate jurisdiction to be totally mentally incapacitated; or partially mentally incapacitated without the right to vote; or has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

Section 2. The Board of Directors shall consist of 7 Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on second or third Tuesday of February, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer from among the Directors. The Directors shall be elected by the Members at the Members' meetings provided for in Article VI of the Bylaws. The Directors 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.

Not later than the 60th day after a Director dies, resigns or is determined by the Board to not meet one of the qualifications set forth in Section 1, a successor who meets those qualifications shall be appointed by a majority of the remaining 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. Directors may be removed from office in the following manner, except as otherwise provided in Article V. Any Member or Director may present charges against a Director by filing such charges in writing with the Secretary-Treasurer of the Corporation. 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) 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 a 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 the other Directors to preside over the meeting. Any meeting convened to consider the removal of a Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or

other Officer or Director has been made the subject of charges does not prevent such individual from continuing to act as Officer and/or Director. 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 Business Organizations Code pertaining to duties and responsibilities of the Board of Directors.

ARTICLE V

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 the 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 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 provision 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 matters 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

Section 1. There shall be a regular meeting of the Members annually, on second Tuesday of February, to transact all business that may be properly brought before it.

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 notification to the Membership of the proposed agenda, location, and date of the meeting; election procedures; approval of the ballot form to be used; and validation of eligible voters, ballots, and election results. At least thirty (30) days before the date of a Membership meeting that includes an election, the Corporation shall mail to each member of record at the address last known to the Corporation written notice of such meeting indicating the time, place, and purpose of such meeting; the election ballot; and for director elections, a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot for director elections must include the number of directors to be elected and the names of the candidates.

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.

Section 3. The Board shall select an independent election auditor not later than thirty (30) days before the scheduled date of a Membership meeting where an election will be held. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the Corporation as an employee; a director or candidate for director; or an independent contractor engaged by the Corporation as part of the Corporation's regular course of business. The independent election auditor shall receive and count the ballots before the meeting is adjourned. The independent election auditor shall provide the board with a written report of the election results.

Section 4. For any election, a member may vote in person at the Membership meeting; by mailing a completed ballot to the office of the independent election auditor or to the Corporation's main office which must be received by noon on the business day before the date of the meeting; or by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main office by noon on the business day before the date of the meeting.

A quorum for the transaction of business at a meeting of the Membership is a majority of the members present. In determining whether a quorum is present, all members who mailed or delivered ballots to the independent election auditor or the Corporation on a matter submitted to a vote at the meeting are counted as present.

Section 5. 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 recommend for Board approval the election procedures and all related forms and notices, recommend for Board approval a person to fill the role of independent election auditor, ensure that the election procedures are implemented, and serve other functions designated in the Corporation's election procedures. Should the individual holding the office of Secretary-Treasurer be running for re-election, the Board shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

Section 6. After fixing a date for the notice of a meeting, the Board of Directors 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 at their 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

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 (1/3) 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 Texas Business Organizations Code Section 22.156, 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

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business

transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts 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 provisions of Section 67.014 (b) of the Texas Water Code.

ARTICLE IX

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

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 deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal 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 be refundable.

ARTICLE XI

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. Nothing herein shall preclude the holder of a Membership from mortgaging such Membership or, upon notification of the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice to the Corporation.

ARTICLE XII

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 service unless each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and conditions 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 persons or other entity's stock, 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 condition 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 and as provided in the Corporation's tariff, reassign canceled stock, or a cancelled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water and/or sewer service 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

The Board may employ a manager to handle the business of the Corporation under the direction of the Board. The Board shall set the salary for the manager.

ARTICLE XIV

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. Any remaining balance from the membership fee will be refunded to the former member. In the event Membership is terminated, cancelled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV

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

The fiscal year of the Corporation shall be Jan1 to Dec 31.

ARTICLE XVII

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

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 assessments 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 a 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

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 principle 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 sheets 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 Open Record Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

ARTICLE XX

These Bylaws may be altered, amended, or repealed by a vote of a majority of the Members voting 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 the prior written consent of the State Director of the USDA Rural Development, RUS, for the State of Texas.

ARTICLE XXI

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

ARTICLE XXII

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

ARTICLE XXIII

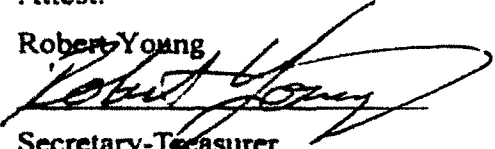
The above Bylaws were adopted as amended by the Members of the RPM Water Supply Corporation, at a meeting held on the 14th day of February, 2012.

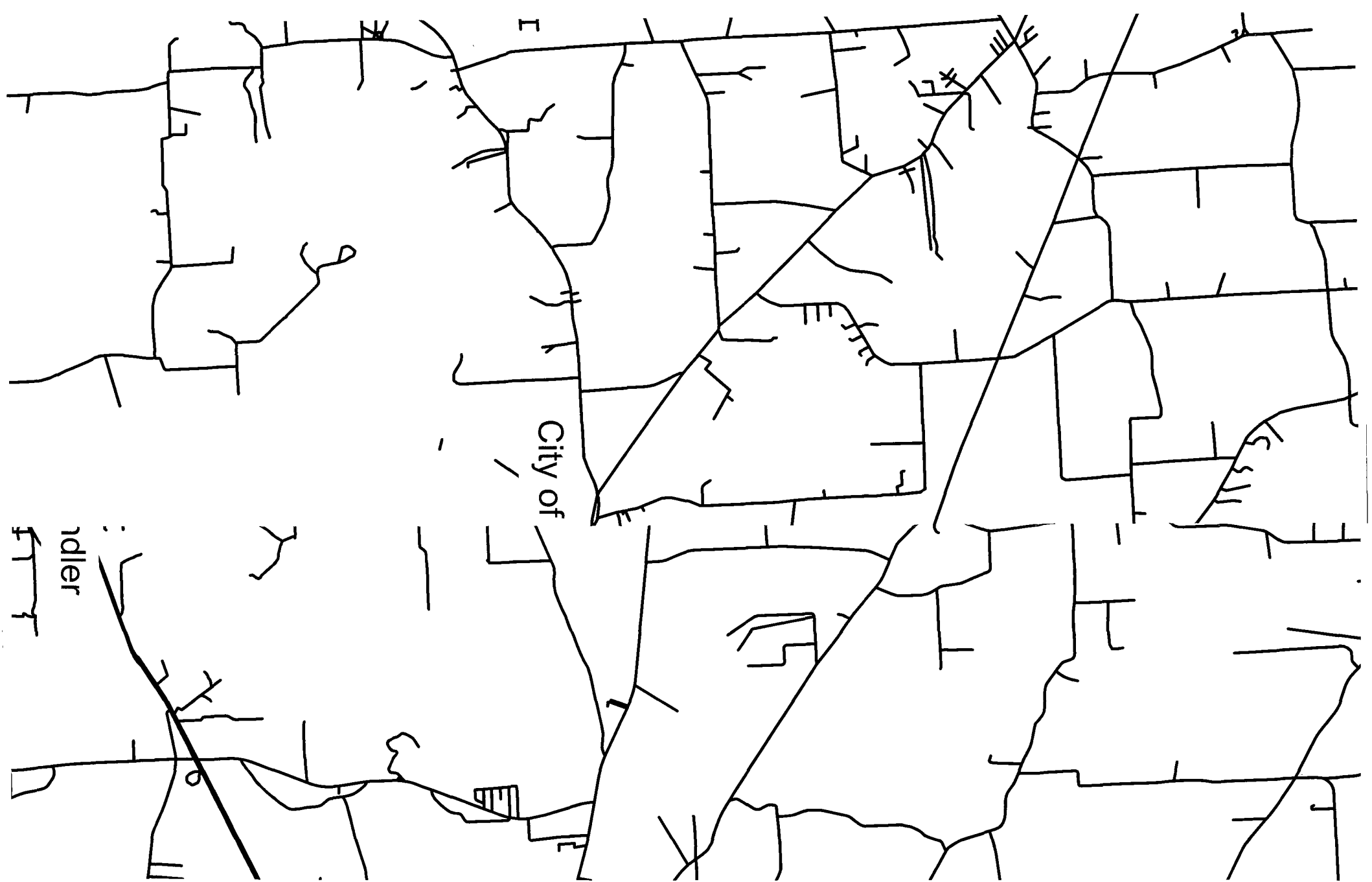
Charlotte Parks


President

Attest:

Robert Young


Secretary-Treasurer

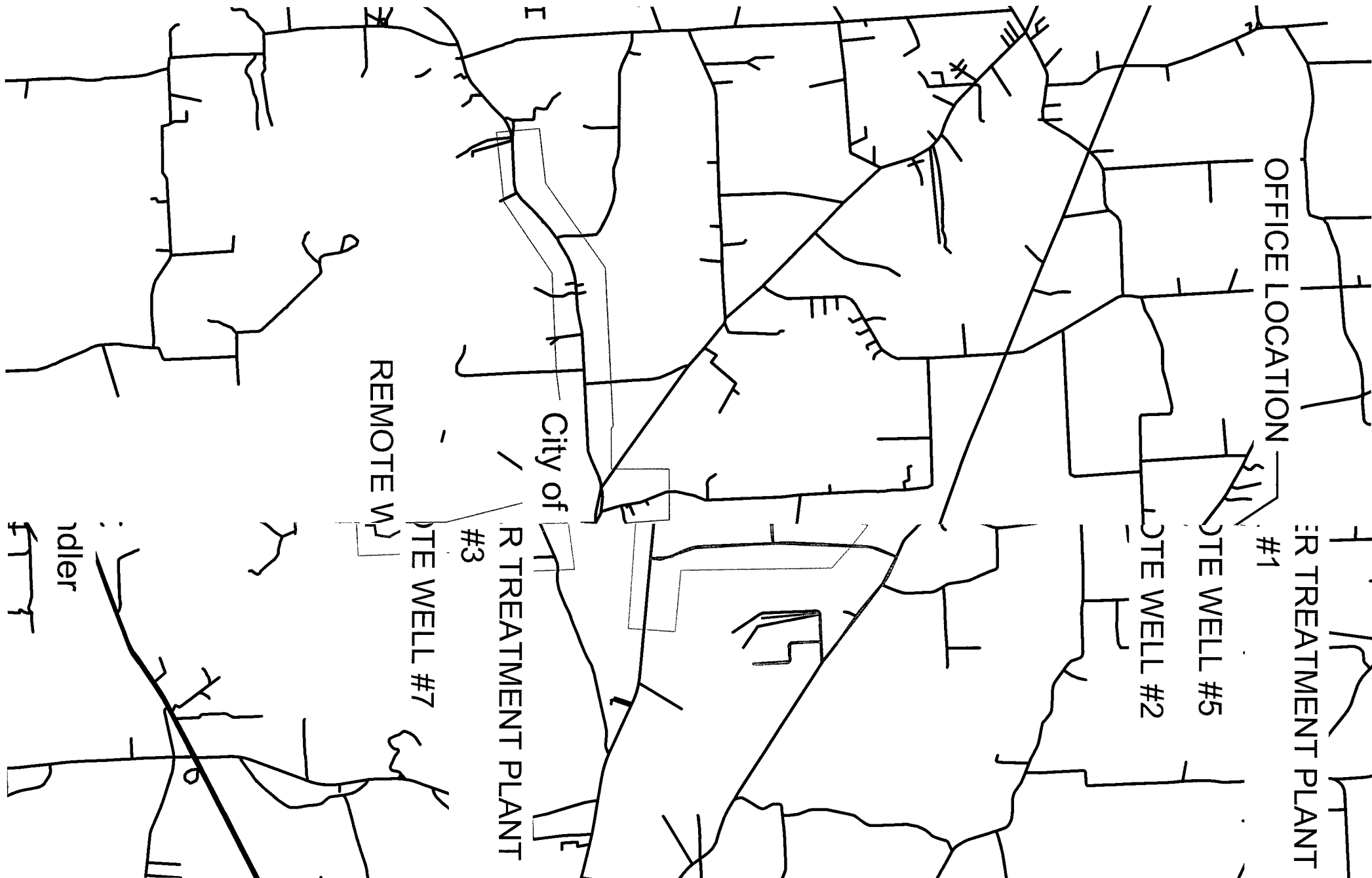



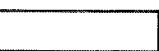
Proposed RPM WSC
Certification Area



RPM
WATER SUPPLY CORPORATION





Proposed RPM WSC
 Certification Area 
 Proposed RPM WSC
 Decertification Area 

Written Description of the Proposed Service Area

Additional Certification Area : The northwestern most point beginning at the intersection of Van Zandt County Road 4907 and Texas State Highway 64 following the roadway south roughly 1480 feet to arrive at the southwestern most point then due-east roughly 678 feet to the southeastern most point then northerly 1243 feet to meet SH64 at the northeastern most point then following SH64 back to the beginning point.

Decertification Area: The northwestern most point begins at the southeastern most point of the Additional Certification Area then proceeds due east for roughly 1525 feet for the northeastern most point then southerly roughly 1980 feet to arrive at the southeastern most point to meet with the existing Edom WSC CCN Boundary following this boundary northwesternly for roughly 1728 feet to then travel northerly with the existing Edom WSC CCN boundary for roughly 1807 feet to the beginning point.

Effect of Granting Certificate Amendment

The Applicant:

The decertification/certification of this amendment will solidify the existing arrangement between RPM WSC and Edom WSC.

Any Retail Public Utility Already Serving:

The decertification/certification of this amendment will solidify the existing arrangement between RPM WSC and Edom WSC.

Landowners:

Services within the amendment areas are currently operative, no effect is found.

Rate Schedule

Zero Gallons for \$31.75

0-1,999 gallons.....	\$	4.00
2,000-3,999 gallons.....		4.75
4,000-5,999 gallons.....		5.00
6,000-9,999 gallons		6.00
10,000-19,999 gallons.....		6.50
20,000-49,999 gallons.....		7.00
50,000 gallons and above		8.00

The current 11 customers within the requested area will be served by the high quality of potable water distribute by RPM Water Supply. We are continuously checking and testing the quality and safety of all water provided before distribution to all members.

		2017 Budget	2018 Budget Forecast	2019 Budget Forecast
1	Operating Income			
		\$ 700,000	710000	715000
3	Penalties and Reconnect	\$ 20,000	21000	21000
		\$ 30,000	30000	30000
5				
		750,000.00	761000	766000
7				
10	Operating Expense			
12	- Electricity	\$ 40,000	45000	46000
14	Operator Salaries and Payroll	\$ 100,000	104000	104000
		\$ 30,900	42000	43000
16	Repairs/Maintenance			
		\$ 6,500	7,000	7000
18	Sub-Total	\$ 177,400.00	\$ 198,000.00	\$ 200,000.00
20				
		\$ 10,000	10000	10000
22	Chemicals	\$ 20,000	25000	25000
		\$ 500	600	600
24	Vehicle Expense	\$ 26,000	26000	26000
		\$ 4,500	5000	5000
26	Backhoe Service			
28	Supplies	\$ 35,000	35000	35000
		\$ 85,000	85000	85000
30	Depreciation	\$ 150,000	150000	150000
32	Training and Seminars	\$ 2,500	2500	2500
		\$ 500	500	500
34	Tests	\$ 9,000	10000	10000
		\$ 3,000	3000	3000
36	Office Salary	\$ 73,665	75000	80000
		\$ 4,000	4000	4000
38	Dues and Subscriptions	\$ 2,000	2000	2000
		\$ 15,000	15000	15000
40	Bank and Service Charges	\$ 5,000	5000	5000
		\$ 1,000	1000	1000
42	Bad Debt	\$ -		
		\$ 9,000	8000	9000
44	Insurance Expense	\$ 21,000	22200	22000
		\$ 28,944	30000	30000
46	Telephone	\$ 11,000	11000	11000
			3000	3000
48	Advertising Expense	\$ 600	600	600
		\$ 6,500	6600	6600
50	Travel and Training	\$ 1,500	1500	2000
		\$ 600	1000	1000
52	Uniform Expense	\$ 4,000	3500	3500
		\$ 300	400	400
54	401 K	\$ 4,000	4200	4300
56	TOTAL EXPENSES	\$ 711,509.00	\$ 744,600.00	\$ 753,000.00

RPM WATER SUPPLY CORPORATION

**Financial Statements
(with Independent Auditors' Report thereon)**

December 31, 2016

RPM WATER SUPPLY CORPORATION
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December 31, 2016

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**INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS**

Board of Directors
RPM Water Supply Corporation
Ben Wheeler, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of RPM Water Supply Corporation (a nonprofit organization), which comprise the balance sheet as of December 31, 2016, and the related statements of activities and cash flows for the year 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.

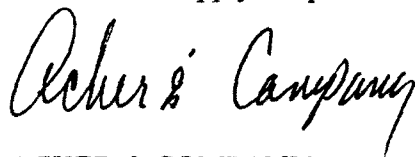
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RPM Water Supply Corporation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, on our consideration of RPM 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 RPM Water Supply Corporation's internal control over financial reporting and compliance.



ACKER & COMPANY
Certified Public Accountants, PC
June 14, 2017

RPM WATER SUPPLY CORPORATION
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

Current Assets:	
Cash (Note 1)	\$ 776,758
Accounts Receivable (Note 3)	70,877
Allowance for Bad Debts	(16,402)
Inventory (Note 1)	29,000
Prepaid Insurance	<u>11,558</u>
Total Current Assets	<u>871,791</u>
Fixed Assets: (Notes 1 & 2)	
Land, Roads, and Fences	77,367
Buildings, Wells, and Distribution System	4,708,997
Equipment and Autos	238,020
Furniture, Fixtures and Office Equipment	<u>38,005</u>
Total	5,062,389
Accumulated Depreciation	<u>(2,013,829)</u>
Total Fixed Assets	<u>3,048,560</u>
Total Assets	<u><u>\$ 3,920,351</u></u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 8,383
Notes Payable - Current Part (Note 2)	84,032
Other Accrued Liabilities	<u>2,724</u>
Total Current Liabilities	<u>95,139</u>
Long-Term Liabilities:	
Notes Payable (Note 2)	<u>2,355,779</u>
Total Long-Term Liabilities	<u>2,355,779</u>

NET ASSETS

Unrestricted Net Assets:	
Members' Equity	111,700
Retained Earnings	<u>1,357,733</u>
Total Unrestricted Net Assets	<u>1,469,433</u>
Total Liabilities and Net Assets	<u><u>\$ 3,920,351</u></u>

See accompanying notes to financial statements.

RPM WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues:

Water Sales (Net of Allowances)	\$ 720,238
Installations	16,300
Penalties, Reconnect and Other Fees	<u>34,320</u>
Total	<u>770,858</u>

Operating Expenses:

Operator Salaries and Payroll Taxes	97,954
Electricity	39,058
Repairs	21,262
Supplies	27,000
Chemicals	25,214
Depreciation	145,144
Insurance	47,571
Other	<u>41,164</u>
Total	<u>444,367</u>

General and Administrative:

Office Salaries	79,639
Postage	5,496
Telephone Expense	9,578
Legal and Professional	16,108
Other	36,130
Vehicle Expense	10,229
Dues and Publications	<u>1,519</u>
Total	<u>158,699</u>

Operating Revenue Net of Expenses	167,792
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Interest Expense	(101,886)
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Other Non Operating Expense	<u>(53,297)</u>
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Net Income from Operating after Interest	12,609
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Grant Revenue	<u>-</u>
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Increase in Unrestricted Net Assets from Operations and Other	12,609
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Impact Fees	29,250
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Increase in Memberships	<u>11,799</u>
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Increase in Unrestricted Net Assets	53,658
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Net Assets at Beginning of Year	<u>1,415,775</u>
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Net Assets at End of Year	<u>\$ 1,469,433</u>
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See accompanying notes to financial statements.

RPM WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets from Operations after Interest	\$ 12,609
Adjustments to Reconcile Increase in Net Assets to	
Net Cash provided by Operating Activities:	
Depreciation	145,144
(Increase) Decrease in:	
Accounts Receivable	11,328
Prepaid Expenses	(2,195)
Inventory	(3,000)
Increase (Decrease) in:	
Accounts Payable	(1,027)
Accrued Liabilities	(345)
Net Cash Provided by Operating Activities	<u>162,514</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Investments	
Property and Equipment	(143,607)
Disposal of Capital Assets	-
Capitalized Interest	-
Net Cash Provided (Used) by Investing Activities	<u>(143,607)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

New Memberships (Net)	11,799
Impact Fees	29,250
Installment Loan Proceeds	-
Repayments on Installment Notes	(79,569)
Net Cash Provided by Financing Activities	<u>(38,520)</u>
Net Increase (Decrease) in Cash	(19,613)
Cash at Beginning of Year	<u>796,371</u>
Cash at End of Year	<u><u>\$ 776,758</u></u>

Supplemental Schedule of Cash Flow Information:

Cash Paid During the Period for:	
Interest	<u><u>\$ 101,886</u></u>

See accompanying notes to financial statements.

**RPM WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 – Significant Accounting Policies

(a) General

The accompanying financial statements of the RPM Water Supply Corporation, (the Corporation) have been prepared on an accrual basis of accounting. Revenue is recognized when earned and expenses recognized as incurred.

The Corporation is an exempt organization for Federal income tax purposes under Section 501(c)(4) of the Internal Revenue code. The Corporation believes it has no liabilities for uncertain tax positions, but the years 2013 to 2016 remain open for examination.

(b) Nature of Operations

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 Redland, Texas and surrounding rural areas.

As all costs of the Corporation are related to this single function, there is no presentation of expenses by function.

(c) Recognition of Donor Restrictions

The Corporation has received no contributions with donor restrictions.

(d) Cash Flows

For purposes of the statement of cash flows, the Corporation considers all unrestricted, highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Corporation paid \$101,886 in interest in 2016.

(e) Use of 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, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RPM WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 – Significant Accounting Policies (continued)

(f) Property, Plant and Equipment

Expenditures for physical properties are stated at cost.

Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Buildings	20 – 30 Years
Equipment	5 – 10 Years
Furniture and fixtures	5 – 10 Years
Distribution system	10 – 50 Years

(g) Inventory

The Company's inventory is valued at cost. Cost is determined using the first-in first-out method.

(h) Compensated Absences

Employees of the Corporation earn two weeks of vacation after one year and three weeks after five years. Vacation accrues on the employees' hire date and the employees can carry over up to fifteen days of vacation pay. Employees may sell, back to the Company, up to ten vacation days a year.

Employees are also entitled to sick leave based on months of service, and can accumulate up to 30 days. Unused sick leave is not compensated upon separation from service.

The liability for compensated absences was not material at December 31, 2016, and accordingly, no liability has been recorded.

i) Allowance for Doubtful Accounts

The Corporation allows for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. Based on these factors, there is allowance for doubtful accounts of \$16,402 for the year ended December 31, 2016.

j) Cash

The Corporation at certain times maintains cash in excess of federally insured limits. At December 31, 2016, uninsured amounts were approximately \$527,000.

RPM WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 – Notes Payable

Notes payable at December 31, 2016 are as follows:

		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
4/1/2014	Note payable to CoBank, 2.992% interest, variable monthly payments.	\$ 9,310	\$ 30,339	\$ 48,686
1/20/2016	Note payable to CoBank, 4.8% interest, variable monthly payments.	15,353	212,496	242,549
10/20/2015	Note payable to CoBank, 4.147% interest, variable monthly payments.	20,597	455,981	495,009
2/25/2005	Note payable to U.S. Department of Agriculture, 4.5% interest, monthly payments of \$3,308.	12,285	602,430	626,462
5/26/2011	Note payable to U.S. Department of Agriculture, 3.375% interest, monthly payments of \$4,386.	16,816	1,052,072	1,085,146
3/22/2013	Note Payable to Southside Bank, 2.9% Interest, monthly payments of \$824.53.	9,671	2,461	21,526
		<u>\$ 84,032</u>	<u>\$ 2,355,779</u>	<u>\$ 2,439,811</u>

Notes to the USDA are secured by a deed of trust on real estate, chattel mortgage on removable parts of the system and assignment of income sufficient to repay the loans.

Future maturities of long-term debt are as follows:

2018	\$ 79,390
2019	79,595
2020	80,055
2021	52,892
Thereafter	<u>2,063,847</u>
	<u>\$2,355,779</u>

The Corporation is required to maintain a reserve of \$21,252, the total of three months of loan payments, for one of the USDA loans, and a deposit of \$441.27 per month until a reserve of \$52,952 is created for the 5/26/11 note. The Corporation has designated a government obligation bond to meet this requirement.

RPM WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3 – Concentration of Credit Risk

The Corporation's accounts receivable are substantially all due from customers in Redland, Texas and the surrounding areas.

Note 4 – Members' Equity

Members pay a membership fee to join the water system. The fee is refunded upon leaving the system. The fee has ranged from \$20 to the current fee of \$300 over the life of the system. At December 31, 2016, there were 875 active members.

Note 5 – USDA Loan

In May 2001, the Corporation was approved for a grant and loan by the United States Department of Agriculture (USDA). The proceeds of the grant (\$490,000) and loan (\$735,000) were to be used to expand and repair the Corporation's current water system. As of December 31, 2006, the entire grant and the entire loan from the USDA had been received and expended. The loan agreement requires the Corporation to maintain certain reserves for which a government obligation bond has been designated.

In May 2012, the Corporation was approved for a loan from the United States Department of Agriculture (USDA). The loan commitment was for \$1,139,000 for acquisition, construction, enlargement of a water system to service the area under its jurisdiction at an estimated cost of \$1,751,000. RPM contributed \$324,000 to the project and the U.S. Department of Agriculture agreed to grant RPM up to \$288,000 for the project. At December 31, 2013, RPM had drawn down all loan and grant funds and completed the project.

Note 6 – Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 14, 2017, the date that the financial statements were available to be issued.

Acker & Company

Certified Public Accountants, PC

**RPM WATER SUPPLY CORPORATION
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**

To the Board of Directors
RPM Water Supply Corporation

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 RPM Water Supply Corporation (a nonprofit organization), which comprise the balance sheet as of December 31, 2016, 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 June 14, 2017.

Internal Control Over Financing Reporting

In planning and performing our audit of the financial statements, we considered RPM 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 RPM Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Corporation's financial statements will not be prevented, or detected and corrected by the Corporation's internal control 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Significant Deficiency 01-16).

**RPM WATER SUPPLY CORPORATION
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**

Compliance and Other Matters

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

RPM Water Supply Corporation's Response to Findings

RPM Water Supply Corporation's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. RPM Water Supply Corporation's 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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ACKER & COMPANY
Certified Public Accountants, PC
Tyler, TX
June 14, 2017

**RPM WATER SUPPLY CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS-FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY (01-15)

Condition: The firm hired to perform bookkeeping services for the Corporation failed to reconcile their cash balance to the reconciled cash balance of the Corporation. Cash balance was not reconciled in the prior year and the bookkeeping firm has not attempted to look into the difference, therefore, the cash balance continues to be unreconciled.

Criteria: The reconciled cash balance should agree to the Corporation's general ledger cash balance. When preparing the books, the outside bookkeeper should ensure that the general ledger cash balance agrees to the reconciled cash balance of the Corporation.

Cause: The outside bookkeeping service did not reconcile the general ledger cash balance to the reconciled cash balance of the Corporation.

Effect: Because of the failure to reconcile the general ledger cash balance to the reconciled cash balance of the Corporation, cash balance continues to be unreconciled in the current year audit.

Recommendation: The Corporation should hire a bookkeeping service that will reconcile the general ledger cash balance to the reconciled cash balance of the Corporation.

Views of Responsible Officials and Planned Corrective Actions: The Corporation agrees with the findings and recommendations of the auditors and plans to ensure that the general ledger cash balance agrees to the reconciled cash balance of the Corporation in the future. The Corporation will prepare and propose a journal entry to be entered into RPM Water Supply's books to restore a reconciled balance.

Follow-up: A similar finding was noted in the current audit.

**RPM WATER SUPPLY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of RPM Water Supply Corporation.
2. One significant deficiency disclosed during the audit of financial statements are reported in the **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***. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of RPM Water Supply Corporation were disclosed during the audit.
4. RPM Water Supply Corporation had no expenditures of federal awards for the year ended December 31, 2016, but had outstanding loans under CFDA 10.760 from the U.S. Department of Agriculture.

B. Findings – Financial Statements Audit

SIGNIFICANT DEFICIENCY (01-16)

Condition: The firm hired to perform bookkeeping services for the Corporation failed to reconcile their cash balance to the reconciled cash balance of the Corporation. Cash balance was not reconciled in the prior year and the bookkeeping firm has not attempted to look into the difference, therefore, the cash balance continues to be unreconciled.

Criteria: The reconciled cash balance should agree to the Corporation's general ledger cash balance. When preparing the books, the outside bookkeeper should ensure that the general ledger cash balance agrees to the reconciled cash balance of the Corporation.

Cause: The outside bookkeeping service did not reconcile the general ledger cash balance to the reconciled cash balance of the Corporation.

Effect: Because of the failure to reconcile the general ledger cash balance to the reconciled cash balance of the Corporation, cash balance continues to be unreconciled in the current year audit.

Recommendation: The Corporation should hire a bookkeeping service that will reconcile the general ledger cash balance to the reconciled cash balance of the Corporation.

**RPM WATER SUPPLY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SIGNIFICANT DEFICIENCY (01-16) (Continued)

Views of Responsible Officials and Planned Corrective Actions: The Corporation agrees with the findings and recommendations of the auditors and plans to ensure that the general ledger cash balance agrees to the reconciled cash balance of the Corporation in the future. The Corporation will prepare and propose a journal entry to be entered into RPM Water Supply's books to restore a reconciled balance.