

Control Number: 49269



Item Number: 1

Addendum StartPage: 0



# 4 9 2 6 9 Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Pursuant to 16 Texas Administrative Code (TAC) Chapter 24, Substantive Rules Applicable to Water and Sewer Service Providers, Subchapter G: Certificates of Convenience and Necessity

## **CCN Application Instructions**

I. **COMPLETE**: In order for the Commission to find the application sufficient for filing, you should be adhere to the following:

- i. Answer every question and submit all required attachments.
- ii. Use attachments or additional pages if needed to answer any question. If you use attachments or additional pages, reference their inclusion in the form.
- iii. Provide all mapping information as detailed in Part F: Mapping & Affidavits.
- iv. Provide any other necessary approvals from the Texas Commission on Environmental Quality (TCEQ), or evidence that a request for approval is being sought at the time of filing with the Commission.
- II. FILE: Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.

**SEND TO**: Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (<u>NOTE: Electronic documents may be sent in advance of the paper copy; however, they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).</u>

- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
  - i. <u>DEFICIENT (Administratively Incomplete)</u>: Applicant will be ordered to provide information to cure the deficiencies by a certain date (usually 30 days from ALJ's order). *Application is not accepted for filing*.
  - ii. <u>SUFFICIENT (Administratively Complete)</u>: Applicant will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing*.
- IV. Once the Applicant issues notice, a copy of the actual notice sent (including any map) and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may choose to take one of the following actions:
  - i. <u>HEARING ON THE MERITS</u>: an affected party may request a hearing on the application. The request must be made within 30 days of notice. If this occurs, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
  - ii. <u>LANDOWNER OPT-OUT</u>: A landowner owning a qualifying tract of land (25+ acres) may request to have their land removed from the requested area. The Applicant will be requested to amend its application and file new mapping information to remove the landowner's tract of land, in conformity with this request.

ALSSIGN

1.

- V. **PROCEDURAL SCHEDULE:** Following the issuance of notice and the filing of proof of notice in step 4, the application will be granted a procedural schedule for final processing. During this time the Applicant must respond to hearing requests, hadowner opt-out requests, and requests for information (RFI). The Applicant will be requested to provide written consent to the proposed maps, certificates, and tariff (if applicable) once all other requests have been resolved.
- VI. FINAL RECOMMENDATION: After receiving all required documents from the Applicant, Staff will file a recommendation on the CCN request. The ALJ will issue a final order after Staff's recommendation is filed.

## <u>FAQ:</u>

## Who can use this form?

Any retail public utility that provides or intends to provide retail water or wastewater utility service in Texas.

## Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) must use this form to obtain or amend a CCN prior to providing retail water or sewer utility service in the requested area.

## What is the purpose of the application?

A CCN Applicant is required to demonstrate financial, managerial, and technical (FMT) capability to provide continuous and adequate service to any requested area. The questions in the application are structured to support an Applicant's FMT capabilities, consistent with the regulatory requirements.

	Application Summary	
Applicant: Jackson Water	Supply Corporation	
CCN No. to be amended: 1076	3	
or 🚺 Obtain NEW CCN	Water Sewer	
County(ies) affected by this applica	ion: Smith	
Dual CCN requested with:		
CCN No.:	(name of retail public utility) Portion or Al	ll of requested area
Decertification of CCN for:		
CCN No.:	(name of retail public utility) Portion or A	ll of requested area

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Please mark the items included in this filing

	Partnership Agreement	Part A: Question 4
$\mathbf{X}$	Articles of Incorporation and By-Laws (WSC)	Part A: Question 4
	Certificate of Account Status	Part A: Question 4
	Franchise, Permit, or Consent letter	Part B: Question 7
	Existing Infrastructure Map	Part B: Question 8
	Customer Requests For Service in requested area	Part B: Question 9
	Population Growth Report or Market Study	Part B: Question 10
X	TCEQ Engineering Approvals	Part B: Question 11
	Requests & Responses For Service to 1/2 mile utility providers	Part B: Question 12.B
П	Economic Feasibility (alternative provider) Statement	Part B: Question 12.C
П	Alternative Provider Analysis	Part B: Question 12.D
$\mathbf{X}$	Enforcement Action Correspondence	Part C: Question 16
	TCEQ Compliance Correspondence	Part D: Question 20
	Purchased Water Supply or Treatment Agreement	Part D: Question 23
	Rate Study (new market entrant)	Part E: Question 28
	Tariff/Rate Schedule	Part E: Question 29
X	Financial Audit	Part E: Question 30
	Application Attachment A & B	Part E: Question 30
	Capital Improvement Plan	Part E: Question 30
	Disclosure of Affiliated Interests	Part E: Question 31
X	Detailed (large scale) Map	Part F: Question 32
$\mathbf{X}$	General Location (small scale) Map	Part F: Question 32
X	Digital Mapping Data	Part F: Question 32
$\mathbf{X}$	Signed & Notarized Affidavit	Page 12

	Part A: Applicant Information
1.	A. Name: Jackson Water Supply Corporation
	(individual, corporation, or other legal entity) Individual Corporation VSC Other:
	B. Mailing Address: 17764 CR 26 Tyler, TX 75707
	Phone No.: (903) 566-1320 Email:
	Phone No.: (903) 500-1520 Email:
	C. <u>Contact Person</u> . Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.
	Name: Travis Reed Title: Engineer
	Mailing Address: 320 S. Broadway Suite 200
	Phone No.: (903) 595-3913 Email: treed@spi-eng.com
2.	If the Applicant is someone other than a municipality, is the Applicant currently paid in full on the Regulatory Assessment Fees (RAF) remitted to the TCEQ?
	$\bigvee$ Yes $\square$ No $\square$ N/A
3.	If the Applicant is an Investor Owned Utility (IOU), is the Applicant current on Annual Report filings with the Commission?
	Yes No If no, please state the last date an Annual Report was filed:
4.	The legal status of the Applicant is:
	Individual or sole proprietorship
:	Partnership or limited partnership (attach Partnership agreement)
	Corporation: Charter number (recorded with the Texas Secretary of State):
	Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]
	Charter number (as recorded with the Texas Secretary of State): 24020701 X Articles of Incorporation and By-Laws established ( <i>attach</i> )
	Municipally-owned utility
	District (MUD, SUD, WCID, FWSD, PUD, etc.)
	County
	Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
	Other (please explain):
5.	If the Applicant operates under an assumed name (i.e., any d/b/a), provide the name below:
	Name: N/A
	PUCT CCN Obtain or Amend

			Part B: Requested Area Information
6.			ing or expected land use in the requested area, including details on requested actions such as fication of service area.
	expected unlikely th	to change wit	psed for the CCN acquisition are currently very residential/rural. This is not hin the new future. Although there are no proposed developments, it is not shood or other residential development could be proposed in these areas
7.	The request	ted area (check a	all applicable):
	Currentl	y receives servi	ce from the Applicant 🗌 Is being developed with no current customers
	Overlaps	s or is within m	unicipal boundaries Overlaps or is within district boundaries
	Municipalit		District:
	Provide a c	opy of any franc	chise, permit, or consent granted by the city or district. If not available please explain:
8.	Describe th	e circumstances	(economic, environmental, etc.) driving the need for service in the requested area:
	areas that	t do not curre	with Jackson WSC have a desire to grow the current system to surrounding ntly have a public water source. The proposed acquisition areas make the ing the current system both geographically and growth patterns.
9.	Has the Ap	plicant received	any requests for service within the requested area?
	Yes*	No No	*Attach copies of all applicable requests for service and show locations on a map
10.	Is there exis	sting or anticipa	ted growth in the requested area?
	Yes*	No No	*Attach copies of any reports and market studies supporting growth
11.	A. Will	construction of	any facilities be necessary to provide service to the requested area?
	Yes*	No No	*Attach copies of TCEQ approval letters
	B. Date	Plans & Specifi	cations or Discharge Permit App. submitted to TCEQ: No plans are currently available or proposed

Currently, the WSC does have a plan for installing a new waterline on FM 850 from CR 2301 to CR26. This

	thi	build loop there system in this area while allowing new service connections on FM 850. The construction of s line is expected to take place in 2019 and 2020. The WSC is also in the design process for drilling a w well. This well would allow for additional capacity to grow within the system both east and west.
	D.	Describe the source and availability of funds for any required facilities to serve the requested area:
	"in	ckson WSC has budgeted their new waterline on FM 850 for this year and next. This will be an -house" project. The proposed new well project design is being paid out of General Funds while e construction will be a private bank loan.
		Note: Failure to provide applicable TCEQ construction or permit approvals, or evidence showing that the construction or permit approval has been filed with the TCEQ may result in the delay or possible dismissal of the application.
12.	А.	If construction of a physically separate water or sewer system is necessary, provide a list of all retail public water and/or sewer utilities within one half mile from the outer boundary of the requested area below:
	No p	physically separate water system is necessary.
	<b>B.</b>	Did the Applicant request service from each of the above water or sewer utilities?
	<b>Y</b>	res* No *Attach copies of written requests and copies of the written response
	C.	Attach a statement or provide documentation explaining why it is not economically feasible to obtain retail service from the water or sewer retail public utilities listed above.
	D.	If a neighboring retail public utility agreed to provide service to the requested area, attach documentation addressing the following information:
		<ul> <li>(A) A description of the type of service that the neighboring retail public utility is willing to provide and comparison with service the applicant is proposing;</li> <li>(B) An analysis of all necessary costs for constructing, operating, and maintaining the new facilities for at least the first five years of operations, including such items as taxes and insurance; and</li> <li>(C) An analysis of all necessary costs for acquiring and continuing to receive service from the neighboring retail public utility for at least the first five years of operations.</li> </ul>
13.	prox	ain the effect of granting the CCN request on the Applicant, any retail public utility of the same kind serving in the imate area, and any landowners in the requested area. The statement should address, but is not limited to, onalization, compliance, and economic effects.

	Granting the CCN request would be a first step for the WSC for expanding their system to these areas for future customers. This would greatly benefit existing landowners in these areas opening up future options for public water service. No effect on surrounding public utilities is anticipated.
	Part C: CCN Obtain or Amend Criteria Considerations
14.	Describe the anticipated impact and changes in the quality of retail utility service for the requested area:
	There is currently not any retail utility service in the proposed areas so no impact in the quality of retail utility service is expected.
15.	Describe the experience and qualifications of the Applicant in providing continuous and adequate retail service:
	Jackson WSC has been serving safe, high quality water service to their community for many years. Their infrastructure is properly maintained and operated with no known deficiencies at this time.
16.	Has the Applicant been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes?
	*Attach copies of any correspondence with the applicable regulatory agency concerning any enforcement actions, and attach a description of any actions or efforts the Applicant has taken to comply with these requirements.
17.	Explain how the environmental integrity of the land will or will not be impacted or disrupted as a result of granting the CCN as requested:
	No environmental changes are anticipated in the proposed area.
18.	Has the Applicant made efforts to extend retail water or sewer utility service to any economically distressed area located within the requested area?
	No

19. List all neighboring water or sewer retail public utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service located within two (2) miles from the outer boundary of the requested area:

Jackson WSC, City of Tyler, Southern Utilities Company, and West Gregg WSC.

## Part D: TCEQ Public Water System or Sewer (Wastewater) Information

20. A. Complete the following for <u>all</u> Public Water Systems (PWS) associated with the Applicant's CCN:

TCEQ PWS ID:	Name of PWS:	Date of TCEQ inspection*:	Subdivisions served:
TX2120016	Jackson WSC	9/8/2016	

\*Attach evidence of compliance with TCEQ for each PWS

B. Complete the following for <u>all</u> TCEQ Water Quality (WQ) discharge permits associated with the Applicant's CCN:

TCEQ Discharge Permit No:	Date Permit expires:	Date of TCEQ inspection*:	Subdivisions served:	
WQ-				

\*Attach evidence of compliance with TCEQ for each Discharge Permit

**C.** The requested CCN service area will be served via:

PWS ID: TX2120016 WQ -

21. List the number of *existing* connections for the PWS & Discharge Permit indicated above (Question 20. C.):

Water			Sewer
0	Non-metered	2"	Residential
1,601	5/8" or 3/4" 1	3"	Commercial
6	1"	4"	Industrial
1	1 1/2"	Other	Other
	Total Water Connectio	ns: 1,609	Total Sewer Connections:

## 22. List the number of *additional* connections projected for the requested CCN area:

Water			Sewer
	Non-metered	2"	Residential
110	5/8" or 3/4"	3"	Commercial
	1"	4"	Industrial
	1 1/2"	Other	Other
	Total Water Connec	tions:	Total Sewer Connections:

23.	A. Will the s	system servir	ng the requested area purchase w	vater or sewer treatme	ent capacity fro	om another source?			
	Yes*	No No	*Attach a copy of purcha	ase agreement or cont	tract.				
	Capacity is purchased from:								
			Water:		_				
			Sewer:						
	B. Are any of the Applicants PWS's required to purchase water to meet the TCEQ's minimum capacity requirements or TCEQ's drinking water standards?								
	$\Box Yes \qquad \boxed{No}$								
	<ul> <li>C. What is the amount of supply or treatment purchased, per the agreement or contract? What is the percent of over demand supplied by purchased water or sewer treatment (if any)?</li> </ul>								
			Amount in Gallons	Percent of d	emand				
		Water:	0	0%					
		Sewer:	0	0%					
25.	requested area? Yes No 5. List the name, class, and TCEQ license number of the operators that will be responsible for the operations of the water sewer utility service provided to the requested area:								
	N	ame (as it ap	opears on license)	Class	License No	. Water/Sewer			
			nes Horton	C C	WG0016280 WD0013428	Water			
	······································	3850			WD0013428	VValei			
					l				
<ul> <li>26. A. Are any improvements required for the existing PWS or sewer treatment plant to meet TCEQ or Constandards?</li> <li>Yes X No</li> <li>B. Provide details on each required major capital improvement necessary to correct deficiencies to major capital improvem</li></ul>									
	or Commission standards (attach any engineering reports or TCEQ approval letters):								
	Description of the Capital Improvement: None			Estimated Completion Date:		Estimated Cost:			
-									
		NC							

	Part E: Financial Information					
28.	If the Applicant seeking to obtain a CCN for the first time is an Investor Owned Utility (IOU) and under the original rate jurisdiction of the Commission, a proposed tariff must be attached to the application. The proposed rates must be supported by a rate study, which provides all calculations and assumptions made. Once a CCN is granted, the Applicant must submit a rate filing package with the Commission within 18 months from the date service begins. The purpose of this rate filing package is to revise a utility's tariff to adjust the rates to a historic test year and to true up the new tariff rates to the historic test year. It is the Applicant's responsibility in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service. Any dollar amount collected under the rates charged during the test year in excess of the revenue requirement established by the Commission during the rate change proceeding shall be reflected as customer contributed capital going forward as an offset to rate base for ratemaking purposes.					
29.	If the Applicant is an existing IOU, please attach a copy of the current tariff and indicate:					
	A. Effective date for most recent rates:					
	<b>B.</b> Was notice of this increase provided to the Commission or a predecessor regulatory authority?					
	No   Yes   Application or Docket Number:					
	C. If notice was not provided to the Commission, please explain why (ex: rates are under the jurisdiction of a municipality)					
	If the Applicant is a Water Supply or Sewer Service Corporation (WSC/SSC) and seeking to obtain a CCN, attach a copy of the current tariff.					
30.	Financial Information					
	Applicants must provide accounting information typically included within a balance sheet, income statement, and					
	statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the					
	Applicant proposes new service connections and new investment in plant, or if requested by Commission Staff. If the					
	Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement					
	of cash flows information, then the Applicant should establish a five-year projection.					
	Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:					
	1. Completed Appendix A;					
	2. Documentation that includes all of the information required in Appendix A in a concise format; or					
	3. Audited financial statements issued within 18 months of the application filing date. This may be provided					
	electronically by providing a uniform resource locator (URL) or a link to a website portal.					

Projected Financial Information may be shown by providing any of the following:

- 1. Completed Appendix B;
- 2. Documentation that includes all of the information required in Appendix B in a concise format;
- 3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
- 4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.
- 31. Attach a disclosure of any affiliated interest or affiliate. Include a description of the business relationship between all affiliated interests and the Applicant.

## DO NOT INCLUDE ATTACHMENTS A OR B IF LEFT BLANK

## Part F: Mapping & Affidavits

- 32. Provide the following mapping information with each of the seven (7) copies of the application:
  - 1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The Applicant should adhere to the following guidance:
    - i. If the application includes an amendment for both water and sewer certificated service areas, separate maps must be provided for each.
    - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.
    - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
  - 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
    - i. The map should be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made and/or natural landmarks must be labeled and marked on the map as well.
    - ii. If the application includes an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
    - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
  - 3. One of the following identifying the requested area:
    - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part 2 (above);

	іі.	A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part 2 (above); or					
	<ul> <li>iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:</li> </ul>						
		a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.					
		<b>b.</b> A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).					
		c. The digital mapping data shall be filed on a data disk (CD or USB drives), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.					
		Part G: Notice Information					
D	The following information will be used to generate the proposed notice for the application. DO NOT provide notice until the application is deemed sufficient for filing and the Applicant is ordered to provide notice.						
33.	33. Complete the following using verifiable man-made and/or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:						
	The total acreage of	the requested area is approximately: 4,000					
	Number of custom	er connections in the requested area: 110					
		The closest city or town: TYLER					
	Approximate m	ileage to closest city or town center: 10					
		Direction to closest city or town: A1: WEST A2: WEST					
	The requested area is	generally bounded on the North by: A1: CR 26 A2: SH 31					
		on the East by: A1: CR A2: CR 246					
		on the South by: A1: FM 850 A2: CR 26					
		on the West by: A1: N/A and A2: CR 233					
34.	A copy of the proposed n	hap will be available at The office of Schaumburg & Polk, Inc. Tyler					

STATE OF	Applicant's Oath
1,	STATE OF
obtain or amend a water or sever CON, as       Prestedent to the formation of parameters of the control or portunation of parameters of the control of t	COUNTY OF
I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.         If urther represent that the application form has not been changed, altered, or amended from its original form. If further present that the Applicant will provide continuous and adequate service to all customers and qualified applicants within its certificated service area should its request to obtain or amend its CCN be granted.         If the Affinant 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 BEFORE ME, a Notary Public in and for the State of Texas this day the Soft of Leonucle. Stote of Isoa this day the Soft of Leonucle. Stote of Isoa Leonucle. Stote of Isoa Control Leonucle. Stote of Texas this day the Soft of Texas Control Contreplace Control Control Control Control Control Contre	obtain or amend a water or sewer CCN, as President of Jackson Water Supply Cor
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants within its certificated service area should its request to obtain or amond its CCN be granted.	I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this
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 BEFORE ME, a Notary Public in and for the State of Texas this day the <u>form</u> of <u>felorucury</u> , 2019 SEAL SEAL <u>ALANA NEAL</u> Notary Public. Stole of Texas Comm. Expires 02-11 2020 Notary ID 130534518 <u>ALANA WEAL</u> <u>PRINT OR TYPE NAME OF NOTARY</u> O 2 JULY D O 2 JULY	I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants
Verified Power of Attorney must be enclosed. SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas this day the <u>February</u> , 2019 SEAL Notary Public, State of Texas Comm. Explices 02-11 2020 Notary ID 130534518 MULLA VELA NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS ALAWA VEAL PRINT OR TYPE NAME OF NOTARY O 2 1 1 D 0 2 D	AFFIANT (Utility's Authorized Representative)
ALANA NEAL         Notary Public, Stale of Texas         Comm. Expires 02-11 2020         Notary ID 130534518         Motary Public in And For The         STATE OF TEXAS         ALANA NEAL         Notary ID 130534518         Notary Public in And For The         STATE OF TEXAS         ALANA NEAL         PRINT OR TYPE NAME OF NOTARY         O2         O2	
ALANA NEAL Notory Public, State of Texas Comm. Expires 02-11 2020 Notary ID 130534518 NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS ALAWA NEAL PRINT OR TYPE NAME OF NOTARY	SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas this day the 1874 of Felorucing, 2019
Notary Public. State of Texas Comm. Expires 02-11 2020 Notary ID 130534518 NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS ALANA NEAL PRINT OR TYPE NAME OF NOTARY	SEAL
ALANA NEAL PRINT OR TYPE NAME OF NOTARY	Notary Public, State of Texas Comm. Expires 02-11 2020 Notary ID 130534518
02/11/002N	STATE OF TEXAS
02/11/002N	HLHNH NEHW PRINT OR TYPE NAME OF NOTARY
	02/11/0020

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## ATTACHMENT 1

PART A: QUESTION 4 ARTICLES OF INCORPORTATION

## ATTACHMENT 2

PART A: QUESTION 4 BY-LAWS

## ATTACHMENT 3

PART B: QUESTION 11 TCEQ APPROVED LETTERS

## ATTACHMENT 4

PART C: QUESTION 16 CORRESPONDENCE WITH TCEQ

## ATTACHMENT 5

PART D: QUESTION 27 JACKSON WATER SUPPLY CORPORATION SYSTEM MAP

## ATTACHMENT 6

PART E: QUESTION 30 AUDITED FINANCIAL STATEMENT

## ATTACHMENT 7

PART F: QUESTION 32 JACKSON WSC WATER CCN BOUNDARY LIMITS – A1

## ATTACHMENT 8

PART F: QUESTION 32 JACKSON WSC WATER CCN BOUNDARY LIMITS – A2

## ATTACHMENT 9

PART F: QUESTION 32 JACKSON WSC WATER CCN BOUNDARY LIMITS



# ATTACHMENT 1 PART A: QUESTION 4

**ARTICLES OF INCORPORTATION** 



THE STATE OF TEXAS I COUNTY OF SMITH I

BEC 11 (66)

Dale aning

ARTICLES OF INCORPORATION OF

JACKSON WATER SUPPLY CORPORATION

Enow all men by these presents, that we, the Dindered Solation Divis natural persons, all of the age of twenty-one years or more, all of whom are citizens of the State of Texas, acting as incorporators of a corporation, do hereby adopt the following articles of incorporation for such corporation.

I

The name of the corporation is JACKSON WATER SUPPLY CORPO-BATION.

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The period of its duration is perpetual.

III

The purpose for which the corporation is organized is to furnish a water supply for farm use and domestic purposes to individuals residing in the rural Jackson Community in Smith County. Texas, and the surrounding rural areas.

IV

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

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The street address of the initial registered office of the corporation is Route 1, Arp, Texas; and the mane of its initial registered agent at such address is FINNIS SMITH. - --

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The number of directors constituting the initial board of directors is eleven, and the names and addresses of the persons who are to serve as directors until the first annual election of directors are:

- 1. Mr. Finnis Smith Route 1 Arp, Texas
- 2. Mrs. Alberta Moslby Box 160R, Route 1 Arp, Texas
- 3. Mrs. Burton Armstrong Route 3, Box 390A Tyler, Texas
- Mr. Dennis Smith Route 1 Arp. Texas
- 5. Mr. Fred Jernigan Route 1 Arp, Texas
- Mr. W. L. Kissam Route 3, Box 383 Tyler, Texas
- Mr. L. W. Davis Route 1, Box 380 Tyler, Texas
- 8. Mr. Wardel Jackson Route 3, Box 376 Tyler, Texas
- 9. Mr. Spencer Powell P. O. Box 511 Overton, Texas
- 10. Mr. Earl Kennedy Box 213 Overton, Texas
- 11. Mrs. Maeliza Sanders Route 1 Arp, Texas
  - VII

The names and addresses of the incorporators are:

- 1. Mr. Finnis Smith Route 1 Arp, Texes
- 2. Mrs. Alberta Mosley Box 160R, Ronte 1 Arp, Texas

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3. Mrs. Burton Armstrong Route 3. Box 390A Tyler. Texas

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- 4. Mr. Dennis Smith Route 1 Arp, Texas
- 5. Mr. Fred Jernigan' Route 1 Arp, Texas
- Mr. V. L. Kissam Route 3, Box 383 Tyler, Texas
- Mr. L. W. Davis Route 1, Box 380 Tyler, Texas
- 8. Mr. Wardel Jackson Route 3. Box 376 Tyler, Texas
- 9. Mr. Spenoër Powell P. O. Box 511 Overton, Texas
- 10. Mr. Earl Kennedy Box 213 Overton, Texas
- 11. Mrs. Maeliza Sanders Route 1 Arp, Texas

In witness whereof, we have hereunto set our hands, this the  $\frac{18}{2}$  day of November, 1967.

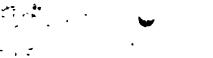
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THE STATE OF TEXAS |

COUNTY OF SMITH |

I, the undersigned, a Notary Public, do hereby certify that on this <u>MC</u> day of November, 1967, personally appeared before me FINNIS SMITH, ALBERTA MOSEKI, MRS. BURTON ARMSTRONG, DENNIS SMITH, FRED JERNIGAN, W. L. KISSAM, L. W. DAVIS, WARDEL JACESON, SPENCER POWELL, EARL KENNEDI and MAKLIZA SANDERS, who, each being by me first duly sworn, severally declared that they are the persons who signed the foregoing document as incorpora-tors, and that the statements therein contained are true.

Constine Kyler (Ernestine, NOTARY PUBLIC IN AND FOR SMITH COUNTY, TEXAS

- 4 -

-Nov. 14. 2008 9:01AM

No. 4110 P. 9

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FILED In the Office of the Secretary of State of Touse

**Corporations Section** 

## ÷ OCT 21 1988

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCURPORATION

Pursuant to the provisions of Article 4.03 of the Texas Non-Profit Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation which:

Adds Article VIII limiting and defining the liability of directors of the corporation.

#### ARTICLE ONE

The name of the corporation is JACKSON WATER SUPPLY CORPORATION.

#### ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by the corporation on February 23, 1988.

#### VIII.

A director of the corporation shall not be liable to the corporation or its shareholders or members for monetary damages for an act or omission in the director's capacity as a director, except for:

- A breach of a director's duty of loyalty to the corporation or its shareholders or members;
- (2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;
- (3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;
- (4) an act or omission for which the liability of a director is expressly provided for by statute; or
- (5) an act related to an unlawful stock repurchase or payment of a dividend.

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#### ARTICLE THREE

The amendment was adopted in the following manner:

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The amendment was adopted at a meeting of members held on February 23, 1988, at which a quorum was present, and the amendment received at least two-thirds of the votes which members present or represented by proxy at such meeting were entitled to cast.

DATED: 9-27-88

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No. 4110 P. 10

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ARTICLES OF AMENDMENT

PAGE 2

JACKSON WATER SUPPLY CORPORATION

AV. Secretary

THE STATE OF TEXAS COUNTY OF SMITH

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, a notary public, on this day personally appeared WARDELL JACKSON, known to me to be the person whose name is subscribed to the foregoing document and, being by me first duly sworn declared that the statements therein contained are true and correct.

Given under my hand and seal of office, this <u>2711</u> day of <u>Sectember</u>, 1988.

TEXAS OF 7-17-92 TRFS NOTARY'S PRINTED NAME: ARM STRONG  $\mathcal{P}AT$ 

THE STATE OF TEXAS COUNTY OF SMITH

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, a notary public, on this day personally appeared W. L. KISSAM, SR., known to me to be the person whose name is subscribed to the foregoing document and, being by me first duly sworn declared that the statements therein contained are true and correct.

Given under my hand and seal of office, this <u>27</u>th day of September 1988

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PUBLIC TEXAS NNTARY COMMISSION EXPIRES: 7-17-92 MY NOTARY'S PRINTED NAME: ARM STRONG PA r

# ATTACHMENT 2 PART A: QUESTION 4

**BY-LAWS** 





Form FMHa 442-7 Revised (12/2011) RUS-TX Bulletin 1780-20 JWSC Amended 3/4/2003 JWSC Amended 3/3/2009 JWSC Amended 3/6/2012

## **BY-LAWS**

## of

## JACKSON WATER SUPPLY CORPORATION

By-Laws of Jackson 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 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 a 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 evidence by a position fidelity schedule bond as acceptable to the 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 seven (7) Directors with membership in the corporation (not less than 2 years), a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the fourth Tuesday of March\* 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' regular meeting provided for in Article VI of the By-Laws or special called meeting as provided for in Article VII. Qualification of a nominee to the Board of Directors is depended upon being a Member in good standing of the Jackson Water Supply Corporation and not in violation of the Corporation's Conflict of Interest Policy. The Conflict of Interest Policy is as follows: Relatives of employees or Board of Directors that may not be considered for Board Membership are: Son, Daughter, Parents, Aunts, Uncles, Step (Parents, Son, Daughter, Sister or Brother), or siblings, grandparents, grandchildren and spouses family to the same degree. Prospective Board Members shall attend and address the Board of Directors at a regular meeting at least two (2) months prior to the nomination to state their reason of interest and qualification. No write in candidates for the Board of Directors will be accepted. 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 the terms of the Directors of the third class shall expire at the third annual meeting after their election.

\* This election shall be held after the Members' annual meeting.

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 60<sup>th</sup> 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. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: Any Member, Officer, or Director may present charges against a Direct6or or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten percent (10%) of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing, of such charges at least twenty (20) days prior to the meeting and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is

approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting, in accordance with the written annual or special meetings procedures as adopted by the Board. A vacancy in any office thus created shall be filled by the board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 4. The President of the Board or Vice-President shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President is 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 an Officer or Director shall be conducted in accord with the procedures prescribed by the Board. The fact that the President, Vice-President, or any other Officer or Director has been made the subject to charges does not prevent such individual from continuing to act as Officer and/or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 5. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the corporation and serve the interest of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Business Organizations Code pertaining to the 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 441, Texas Government Code, including any subsequent amendment thereto. In the event of any conflict between the provisions

of these By-Laws 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 regular monthly meetings shall be given written notice by the balance of the Board of Directors that failure 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 the professional advice and information falling within such persons 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; and may rely in good faith and with ordinary care of 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 believe such matters to fall within such person's professional or expert competence. Nevertheless, a Director must disclose any knowledge he or she 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 the first Tuesday of March, to transact all business that may be properly brought before it. The Annual Membership Meeting and Monthly meetings of every 4th Tuesday may be changed due to (1) conflict with TRWA meeting dates (2) conflict with General election caucus (3) inclement weather (4) or any emergency or disaster deemed necessary by the Board of Directors.

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; elections 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 call an annual or special meeting in accordance with these By-Laws 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 a 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 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 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 at their expense, copy the list. Further, the Board shall make the list of voting Members'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 Meeting 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 By-Laws. 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 By-Laws 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 By-Laws.

## 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 replacements, 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 the 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 server, 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 service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's ethnic background, nationality, 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 tot eh 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 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 forms 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 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 rate unless previously approved by the 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 membership 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 15<sup>th</sup> 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 the 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 to another person or entity except: (1) by will to a transferee who is a person related to the testator with the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the right of a transferee who is a person related to the testator by consanguinity; (2) by transfer without compensation to a transferee who is a person related to 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 transferor of stock, Membership, or another right of participation under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges, and conditions of service. Water service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the membership or other right of participation arose.
- (d) The Corporation may cancel a person's or other entity's stock, membership, or other right of participation if the person or other entity fails to meet the conditions for water 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 service under the stock, membership, or other right of participation authorized under Subsection (c) of this section. The Corporation may, consistent with the limitation

prescribed by Subsection (a) of this section and as provided in the Corporation's tariff, reassigned canceled stock, or a canceled Membership or other right of participation arose and for which water service is requested, subject to compliance with the conditions for water service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary here-in-above provide, the consideration for the transfer of any membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other person, shall never exceed the amount of the original cost 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 Office Manager will handle the business of the Corporation when a contracted operator is employed. The Board may employ a manager to handle the business of the Corporation under the direction of the Board, when the Corporation employs its own Certified Operators. The Board shall set the salary for the Manager/Office 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 Members should surrender his Membership Certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be discontinued and the obligation to pay for water service shall terminate except as for the minimum charge for the current month and the charge for water 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 of otherwise, all assets of the Corporation remaining after payment of the indebtedness 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 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 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 January 1 to December 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 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 other charges is sufficient to fully pay all cost 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 operational 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 his Membership Certificate properly endorsed to 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 his obligation under special agreements 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.

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Annually, the Board of Director 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 representative 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 these By-Laws, the provisions of the Public Information Act shall prevail.

#### Article XX

These By-Laws may be altered, amended, or repealed by a vote of a majority of the members present, whether in person or by proxy, at any regular meeting of the, Members, or at any special meeting of the Members called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges than existing, or so to amend the By-Laws 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 (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 By-Laws 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 "JACKSON 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 By-Laws were adopted as amended by the Members of the Jackson Water Supply Corporation, at a meeting held on the 6<sup>th</sup> day of March, 2012.

Lelia Henry President

Attest: Delinde Heurichand

Secretary-Treasurer

# ATTACHMENT 3 PART B: QUESTION 11

**TCEQ APPROVED LETTERS** 





IN THE MATTER OF AN ENFORCEMENT ACTION	§ §	BEFORE THE
CONCERNING JACKSON WATER SUPPLY	\$ §	TEXAS COMMISSION ON
CORPORATION RN101177194	§ §	ENVIRONMENTAL QUALITY

# AGREED ORDER DOCKET NO. 2015-1592-PWS-E

## I. JURISDICTION AND STIPULATIONS

On \_\_\_\_\_\_, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding JACKSON WATER SUPPLY CORPORATION (the "Respondent") under the authority of TEX. HEALTH & SAFETY CODE ch. 341 and TEX. WATER CODE ch. 5. The Executive Director of the TCEQ, through the Enforcement Division and the Respondent together stipulate that:

- 1. The Respondent owns and operates a public water supply located at the interesection of County Road 26 and County Road 21, 3/4 mile south of State Highway 31 near Tyler, Smith County, Texas (the "Facility") that has approximately 1,468 service connections and serves at least 25 people per day for at least 60 days per year.
- 2. The Executive Director and the Respondent agree that the Commission has jurisdiction to enter this Agreed Order, and that the Respondent is subject to the Commission's jurisdiction.
- 3. The Respondent received notice of the violations alleged in Section II ("Allegations") on or about October 21, 2015.
- 4. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by the Respondent of any violation alleged in Section II ("Allegations"), nor of any statute or rule.
- 5. An administrative penalty in the amount of Six Hundred Twelve Dollars (\$612) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). The Respondent has paid Four Hundred Ninety Dollars (\$490) of the

administrative penalty and One Hundred Twenty-Two Dollars (\$122) is deferred contingent upon the Respondent's timely and satisfactory compliance with all the terms of this Agreed Order. The deferred amount will be waived upon full compliance with the terms of this Agreed Order. If the Respondent fails to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require the Respondent to pay all or part of the deferred penalty.

- 6. Any notice and procedures, which might otherwise be authorized or required in this action, are waived in the interest of a more timely resolution of the matter.
- 7. The Executive Director and the Respondent agree on a settlement of the matters alleged in this enforcement action, subject to final approval in accordance with 30 TEX. ADMIN. CODE § 70.10(a).
- 8. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that the Respondent has not complied with one or more of the terms or conditions in this Agreed Order.
- 9. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.
- 10. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable.

# **II. ALLEGATIONS**

As owner and operator of the Facility, the Respondent is alleged to have:

- 1. Failed to comply with the maximum contaminant level ("MCL") of 0.080 milligrams per liter ("mg/L") for total trihalomethanes ("TTHM"), based on the locational running annual average, for the second and third quarters of 2015 and failed to provide public notification and submit a copy of the public notification to the Executive Director regarding the failure to comply with the MCL for TTHM for the second quarter of 2015, in violation of 30 TEX. ADMIN. CODE §§ 290.115(f)(1) and 290.122(b)(2)(A) and (f) and TEX. HEALTH & SAFETY CODE § 341.0315(c), as documented during a record review conducted from October 5, 2015 through October 16, 2015. Specifically, the locational running annual average concentrations of TTHM for Stage 2 Disinfection Byproducts ("DBP2") at Site 1 were 0.098 mg/L for the second quarter of 2015 and 0.093 mg/L for the third quarter of 2015. Additionally, public notification was required by July 18, 2015 and was not provided.
- 2. Failed to provide public notification and submit a copy of the public notification to the Executive Director regarding the failure to submit a Disinfectant Level Quarterly Operating Report ("DLQOR") for the third quarter of 2014, in violation of 30 TEX. ADMIN. CODE § 290.122(c)(2)(A) and (f), as documented during a record review conducted from October 5, 2015 through October 16, 2015.

- 3. Failed to meet the availability requirements for the Consumer Confidence Report ("CCR") for the year 2014, in violation of 30 TEX. ADMIN. CODE § 290.274(a) and (c), as documented during a record review conducted from October 5, 2015 through October 16, 2015. Specifically, the CCR was not directly delivered to each bill paying customer by July 1, 2014.
- 4. Failed to pay complete regulatory assessment fees for the TCEQ Public Utility Account regarding Certificate of Convenience and Necessity No. 10763 for 2014, in violation of 30 TEX. ADMIN. CODE § 291.76 and TEX. WATER CODE § 5.702, as documented during a record review conducted on October 21, 2015.

# III. DENIALS

The Respondent generally denies each allegation in Section II ("Allegations").

# **IV. ORDERING PROVISIONS**

1. It is, therefore, ordered by the TCEQ that the Respondent pay an administrative penalty as set forth in Section I, Paragraph 5 above. The payment of this administrative penalty and the Respondent's compliance with all the terms and conditions set forth in this Agreed Order resolve only the allegations in Section II. The Commission shall not be constrained in any manner from requiring corrective action or penalties for violations which are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: JACKSON WATER SUPPLY CORPORATION, Docket No. 2015-1592-PWS-E" to:

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

- 2. It is further ordered that the Respondent shall undertake the following technical requirements:
  - a. Within 30 days after the effective date of this Agreed Order:
    - i. Mail or directly deliver one copy of the CCR prepared using the compliance monitoring data for the year 2014 or the most current year to each bill paying customer and make good faith effort to deliver the CCR to non-bill paying customers, in accordance with 30 TEX. ADMIN. CODE § 290.274;
    - ii. Implement procedures to ensure that all necessary public notifications are provided in a timely manner to persons served by the Facility and a copy

of the public notification is submitted to the Executive Director, in accordance with 30 TEX. ADMIN. CODE § 290.122;

- iii. Provide public notification regarding the failure to submit a DLQOR for the third quarter of 2014 and regarding the failure to comply with the MCL for TTHM for the second quarter of 2015, and provide a copy of each public notification to the Executive Director, in accordance with 30 TEX. ADMIN. CODE § 290.122; and
- iv. Submit payment for all outstanding regulatory assessment fees for the TCEQ Public Utility Account No. 10763 for calendar year 2014. The payment, along with the associated Revenue and Regulatory Assessment Reports, shall be submitted to the address provided in Ordering Provision No.1., above.
- b. Within 45 days after the effective date of this Agreed Order:
  - i. Submit written certification as described in Ordering Provision No. 2.e. below, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision Nos. 2.a.i. through 2.a.iii.; and
  - ii. Submit to the Commission a copy of the CCR provided to customers of the Facility and the certification that the CCR has been distributed to the customers of the Facility that the information in the CCR is correct and consistent with the compliance monitoring data, in accordance with 30 TEX. ADMIN. CODE § 290.274. The copy of the CCR and the certification shall be mailed to:

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

- c. Within 60 days after the effective date of this Agreed Order, submit written certification as described in Ordering Provision No. 2.e. below, and include detailed supporting documentation including photographs, receipts, and other records to demonstrate compliance with Ordering Provision No. 2.b.ii.
- d. Within 365 days after the effective date of this Agreed Order, return to compliance for the MCL for TTHM, based on the locational running annual average, in accordance with 30 TEX. ADMIN. CODE § 290.115.
- e. Within 380 days after the effective date of this Agreed Order, submit written certification as described below, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision No. 2.d. The certification shall be notarized by a State of Texas Notary Public and include the following certification language:

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

The certification shall be submitted to:

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

with a copy to:

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

- 3. The provisions of this Agreed Order shall apply to and be binding upon the Respondent. The Respondent is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Facility operations referenced in this Agreed Order.
- 4. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by the Respondent shall be made in writing to the Executive Director. Extensions are not effective until the Respondent receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.
- 5. This Agreed Order, issued by the Commission, shall not be admissible against the Respondent in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
- 6. This Agreed Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Agreed Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Agreed Order shall constitute an original signature for all purposes and

may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms "electronic transmission", "owner", "person", "writing", and "written" shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.

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

### JACKSON WATER SUPPLY CORPORATION DOCKET NO. 2015-1592-PWS-E Page 7

# SIGNATURE PAGE

# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

For the Commission

Date

For the Executive Director

Date

I, the undersigned, have read and understand the attached Agreed Order. I am authorized to agree to the attached Agreed Order on behalf of the entity indicated below my signature, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEO, in accepting payment for the penalty amount, is materially relying on such representation.

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

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

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

Name (Printed or typed) Authorized Representative of JACKSON WATER SUPPLY CORPORATION

\_\_\_\_\_Date \_\_\_\_\_Manager

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

# ATTACHMENT 4 PART C: QUESTION 16

CORRESPONDENCE WITH TCEQ



EXIT INTERVIEW FORM: Potential Violations and/or Records Requested										
Regulated Entity/Site Name						TCEQ Additional ID No. RN No. (Optional)				
Investigation Type	ссі	Contact Made In-House (Y/N)	Y	Purpose of Investigation	Ensure compliance w/ Public Drinking Water Regulations 30 TAC 290					
Regulated Entity Contact	Randy L	ovejoy & David Odle		Telephone No.			Date Contacted	09/08/2016		
Contract Operators         Fax No.		Fax No.	daveodle@texaspumpandwater. com		Date Faxed	09/28/2016				

**NOTICE:** The information provided in this Note is intended to provide clarity to issues that have arisen to the date of this Note during the above investigation and *does not represent agency findings related to violations*. Any potential or alleged violations discovered after the date of this Note 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 the final investigation report.

ls	sue	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 <sup>1</sup>	Rule Citation (if known) 30 TAC	Description of Issue						
1	AV	290.46(d)	Failure to maintain the minimum disinfectant residual. This was resolved on 09/09/2016. See Exit Interview Form 1.						
2	AV	290.46(m)	Failure to conduct tank inspections yearly.						
3	AV	290.46(s)(1)	Failure to check calibration of all well meters once every three years.						
4	AV	290.44	Failure to systematically flush as needed in order to maintain water quality.						
5	ο	290.46(f)	Additional Issue: The system must note whether line repairs are done under pressure and whether special precautions are required.						
6	0	290.46(i)	Additional Issue: The customer service agreement must be amended to limit lead content in pipe and fittings to 0.25%.						
7	0	290.43	Additional Issue: The exterior coating was chalking on the pressure tank at Plant 3.						
8	RR		Please submit RPBA test reports for the past year (i.e., backflow prevention test reports).						

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

COPIES: Original: for Regulated Entity Representative, Copy: TCEQ

TION			
TCEQ EXIT INTERVIEW FORM: P	otential Violations a	nd/or Records R	equested
Investigation ackson usc		TCEQ Add. ID No. RN No. (optional)	2120016
Regulated Entity Contact	Purpose of Investigation	30 TAC 29	0
Title A andy Love int	Telephone No. Gell 90		
Lonfrect grevator	Fax No		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 notential or allocative 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 issues that have 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 the issues that have 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 the issues that have 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 report. 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.

Is	sue	For Records Request: iden For Alleged and Potential	tify the necessary records, the company contact and date due to the agency. Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.
No.	Type <sup>1</sup>	Rule Citation (if known)	Description of Issue
_/_	AV	290.46(4)	Failure to maintain minimum disinfectant residual of at least 0.2 mg/
ļ	ļ	of free able	rine on 9/8/16 as follows: FV on Private Ranch Road" off of CR235
	<u> </u>		as 0.07 mg/L; FV at jet of er 235 2 26 at 11:104 mas 0.04 mg/L;
ļ	ļ	Standpipe at	plant + at 2:50 pm Das only 0.02 mg/L (all free chloring). The
		els make up lin	was out of sarvice at Plant 4. Farmere to restore the residual to minimum
		levels Within 24 A	ours requires that a boil water natice be issued. Also, the system may be
		Subject for ento	rementaction.

<sup>1</sup>Issue 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?	Yes	G No	
Did the investigator advise the regulated entity representative that continued operation is not authorized?	C Yes	2 No	

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated Document Acknowledgment. Signature of the acopy of continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required,

6 9-8-20 1alanta Nedin ANT Kon Regulated Entity Representative Name (Signed & Printed) Date Investigator Name (Signed & Printed) Date

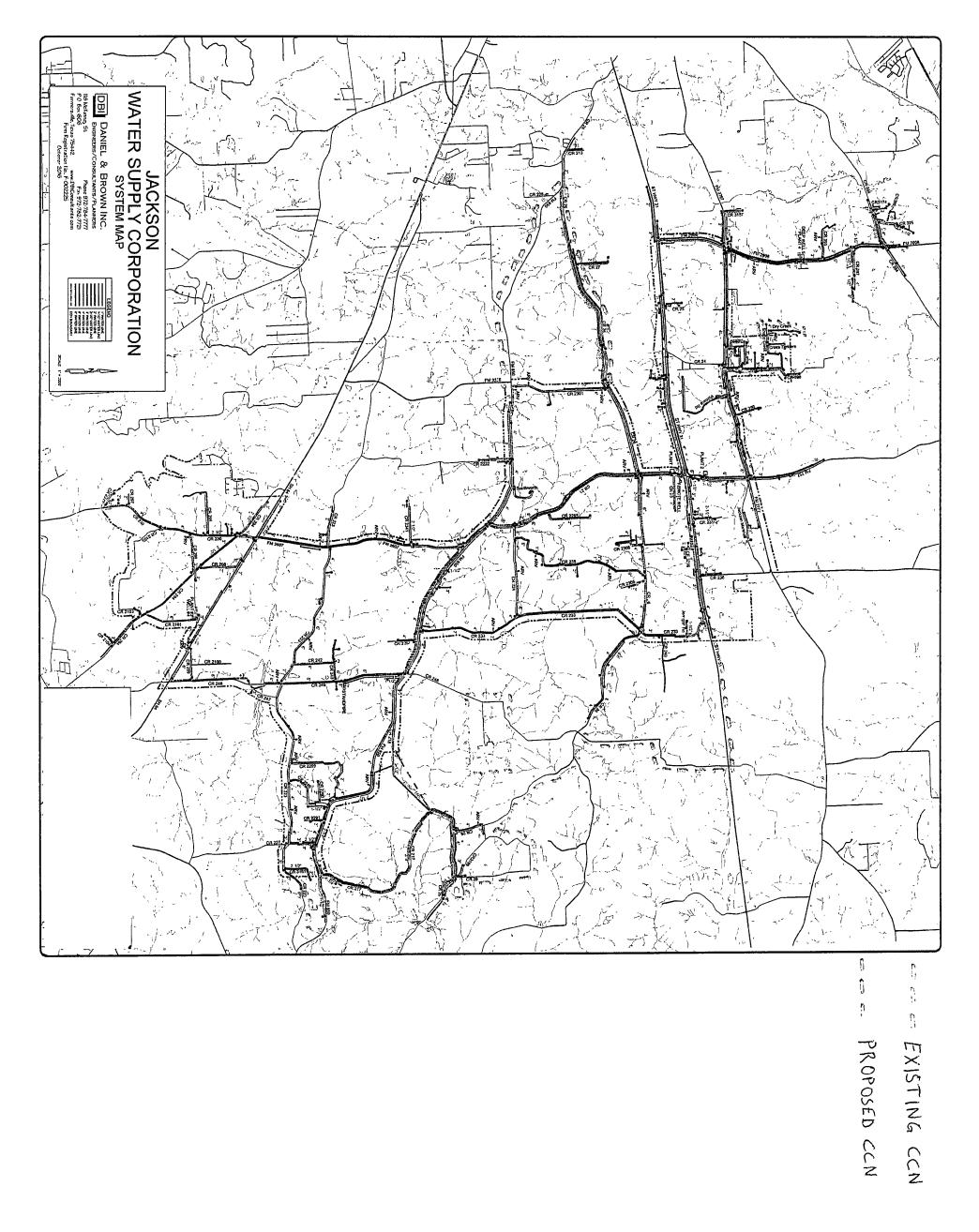
If you have questions about any information on this form, please contact your local TCEQ Regional Office. If you have questions about any information on this form, please contact your local 1000 regional of the may also have any errors in their information corrected. To review such information, call 512-239-3282. 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.

(Note: Use additional pages as necessary) Page \_\_\_\_\_ of \_\_\_\_

# ATTACHMENT 5 PART D: QUESTION 27

JACKSON WATER SUPPLY CORPORATION SYSTEM MAP

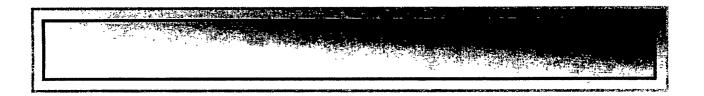




# ATTACHMENT 6 PART E: QUESTION 30

AUDITED FINANCIAL STATEMENT





# JACKSON WATER SUPPLY CORPORATION TYLER, TEXAS

# FINANCIAL STATEMENTS

As of December 31, 2017 and 2016 With Independent Auditor's Report

# JACKSON WATER SUPPLY CORPORATION TYLER, TEXAS

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**Independent Auditor's Report** 

The Board of Directors Jackson Water Supply Corporation 17764 CR 26 Tyler, Texas 75707

#### Report on the Financial Statements

We have audited the accompanying financial statements of Jackson Water Supply Corporation, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 Jackson Water Supply Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Change in Accounting Principle

As described in Note 1 to the financial statements, Jackson Water Supply Corporation early adopted ASU 2016-18 changing the accounting for restricted cash and the statement of cash flows. Our opinion is not modified with respect to that matter.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated **Standard Standards**, on our consideration of Jackson Water Supply Corporation's internal control over financial reporting and 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 and 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 and should be read in conjunction with this report in considering the results of our audit.

Longview, Texas

### JACKSON WATER SUPPLY CORPORATION BALANCE SHEETS December 31, 2017 and 2016

Assets		
	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 411,602	\$ 552,775
Certificates of deposit	534,486	532,702
Customer accounts receivable		
(net of allowance for doubtful accounts		
of \$1,800 and \$8,500)	64,635	57,050
Unbilled water sales	33,587	32,115
Inventory Braneyments	30,198	30,641
Prepayments	22,501	17,752
Total Current Assets	1,097,009	1,223,035
Restricted Assets:		
Cash and cash equivalents	20,758	20,737
Certificates of deposit	377,574	374,115
Total Restricted Assets	398,332	394,852
Property, Plant, and Equipment:		
Buildings	149,034	146,700
Distribution system and wells	<b>. 5,029,509</b>	4,854,679
Vehicles, furniture, and equipment	107,114	111,270
Land	29,367	29,367
Total Property, Plant, and Equipment	5,315,024	5,142,016
Less: Accumulated depreciation	(3,691,924)	(3,544,082)
Net Property, Plant, and Equipment	1,623,100	1,597,934
Other Assets:		
Option on surface water rights	48,539	46,453
Total Assets	\$3,166,980	\$3,262,274

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#### **JACKSON WATER SUPPLY CORPORATION BALANCE SHEETS** December 31, 2017 and 2016

Liabilities and Equity			
	<u>2017</u>		<u>2016</u>
Current Liabilities: Current portion of long-term debt Accounts payable Customer deposits Accrued expenses	\$ 47,993 33,795 158,800 7, <u>079</u>	\$	46,466 38,555 156,800 5,041
Total Current Liabilities	 247,667	_	246,862
Long-Term Debt, Net of Current Portion	 783,794		831,787
Members' Equity: Contributions in aid of construction Retained earnings: Reserved for debt retirement	91,677 398,332		94,123 394,852
Unreserved	1,645,510	_	1,694,650
Total Members' Equity	 2,135,519	_	2,183,625
Total Liabilities and Members' Equity	\$ 3,166,980	\$_	3,262,274

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### JACKSON WATER SUPPLY CORPORATION STATEMENTS OF INCOME For the Years Ended December 31, 2017 and 2016

			<u>2017</u>		<u>2016</u>
Revenue:					
Water revenue		\$	817,757	\$	826,680
New service fees			33,145		24,500
Equity buy-in fees			20,145		16,870
Other fees			33,365		31,330
Miscellaneous			3,162		3,955
Uncollectibles			(612)		(2,226)
Total Revenue			906,962		901,109
Expenses:					
Depreciation			217,523		163,341
Director's expense			23,283		32,557
Dues and fees		*	5,833		7,194
Insurance			28,792		17,371
Legal and accounting	. ,		26,430		27,587
Maintenance and repairs - distribution s	ystem		258,321		246,665
Maintenance and repairs - vehicle and of	ther	•	20,638		10,631
Miscellaneous	1. et		21,769		20,093
Office expense	2 12		40,573		39,997
Salaries	,		132,705		107,647
Taxes - payroll	, `		12,991		8,736
Travel			39,849		6,681
Utilities	· · · ·		80,219		89,130
Total Expenses	ʻ.	_	908,926		777,630
Operating (Loss) Income		_	(1,964)		123,479
Nonoperating Income (Expense):	٢				
Interest income			5,370		2,966
Other nonoperating income			5,584		6,074
Loss on disposal of assets			(20,957)		-0-
Interest expense			(33,693)		(28,582)
Total Nonoperating Expense			(43,696)	_	(19,542)
Net (Loss) Income		\$	(45,660)	\$	<u>103,937</u>

### JACKSON WATER SUPPLY CORPORATION STATEMENTS OF MEMBER'S EQUITY For the Years Ended December 31, 2017 and 2016

		Contributions in Aid of Construction		Reserved for Debt Retirement		Unreserved		Total Member's Equity
Balance, January 1, 2016	\$	96,807	\$	44,716	\$	1,940,849	\$	2,082,372
Contributed Capital		6,401						6,401
Amortization of Contributed Capital		(9,085)						(9,085)
Net Income						103,937		103,937
Transfer to Debt Retirement Reserve				350,136		(350,136)	-	-0-
Balance, December 31, 2016		94,123 <sup>^</sup>		394,852		1,694,650		2,183,625
Contributed Capital		6,989	57	· · · · · ·	~,			6,989
Amortization of Contributed Capital		(9,435)						(9,435)
Net Loss		5. 5				(45,660)		(45,660)
Transfer to Debt Retirement Reserve		, .		3,480		(3,480)	-	-0-
Balance, December 31, 2017	\$	91,677	\$	398,332	\$	1,645,510	\$	2,135,519
	· #	'⊊ # ,,'y ,	·					

### JACKSON WATER SUPPLY CORPORATION STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	<u>2017</u>		<u>2016</u>
Cash Flows from Operating Activities:	(45.000)	¢	400.007
Net (loss) income	6 (45,660)	\$	103,937
Adjustments to reconcile net (loss) income to			
net cash provided by operating activities:	047 500		163,341
Depreciation	217,523		•
Interest reinvested in certificates of deposit	(1,784)		(2,611)
Loss on dispoal of assets	20,957		-0-
Change in assets and liabilities:	(0.050)		24.040
Accounts receivable	(9,056)		34,949
Inventory	443		(490)
Prepaids	(4,749)		(4,310)
Accounts payable	(2,760)		32,606
Other assets	(2,086)		(1,141)
Accrued expenses	2,038	-	(7,999)
Net Cash Provided by Operating Activities	<u>174,866</u>		318,282
Cash Flows from Investing Activities:			
Capital expenditures	(273,082)		(483,866)
Proceeds from maturities of certificates of deposit	-0-		200,000
Change in restricted assets	(3,459)	_	(350,136)
Net Cash Used in Investing Activities	(276,541)	_	(634,002)
Cash Flows from Financing Activities:			
Proceeds from long-term borrowing	-0-		351,594
Principal payment of long-term debt	(46,466)		(17,470)
Contributions in aid of construction	6,989		6,401
	0,000	_	0,101
Net Cash (Used in) Provided by Financing Activities	(39,477)	_	340,525
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(141,152)		24,805
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	573,512	_	548,707
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 432,360	\$_	573,512

#### Note 1 – Summary of Significant Accounting Policies:

#### **Basis of Presentation**

Our principal activity is the provision of water services in rural communities of Northeast Texas.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Among other things, estimates are used in accounting for depreciation and bad debts.

Certain reclassifications of the prior year's data have been made to conform to the current year's classifications.

#### **Revenue Recognition**

Revenues and expenses are recorded when services are rendered and expenses are incurred. Customers are billed monthly as water usage is measured.

We collect taxes for various taxing authorities on certain types of revenue producing transactions. It is our position that we are acting strictly as an agent for the taxing authority, whereby, the tax is collected and remitted to the taxing entity. Using the net method to account for these taxes, we do not record the taxes as a revenue or expense.

#### Property, Plant, and Equipment

Fixed assets are recorded at historical cost. Depreciation of fixed assets is computed under the straight-line method. By this method the original cost for each fixed asset or group of fixed assets is expensed over the estimated useful life of the assets which are as follows:

Buildings	s. 1	25	Years
Distribution System and Wells	¥	10 – 40	Years
Furniture and Equipment	3+	5 – 7	Years

Depreciation for 2017 was \$217,591, net of \$9,435 amortization of aid to construction and for 2016 was \$163,341, net of \$9,085 amortization of aid to construction.

Property, plant, and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if any impairment exists pursuant to the requirements of FASC Topic 360 – Property, Plant & Equipment. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value.

#### **Asset Retirement Obligations**

FASC Topic 420 - Asset Retirement and Environmental Obligations requires that companies having a legal obligation to remove and dispose of assets, recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. We have no legal obligation to remove any assets.

#### Note 1 – Summary of Significant Accounting Policies: (continued)

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#### Fair Value Measurements

In accordance with FASC Topic 820 – Fair Value Measurements and Disclosures, we measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. We apply a hierarchy that prioritizes the information used to develop assumptions used in determining fair value. The hierarchy contains three levels of inputs: Level 1 – quoted prices in active markets for identical assets or liabilities; Level 2 – observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active; and Level 3 – unobservable inputs obtained from our own data. FASC Topic 820 applies whenever other standards require or permit assets or liabilities to be measured at fair value; however, it does not expand the use of fair value in any new circumstances. FASC Topic 820 does not apply to lower of cost or market determinations for inventory and does not eliminate the practicability exceptions to fair value measurements.

We have not chosen to use fair value measurements unless required to do so by applicable accounting standards.

#### Patronage Capital Assignable

Corporate By-laws provide that all profits arising from the operations shall be annually paid out to the persons who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business transacted, provided that no such dividend shall ever be paid while any indebtedness of the Corporation remains unpaid.

#### Income Taxes

We are exempt from federal income tax under I.R.C. Section 501(c)(12). This exemption applies only to years in which receipts from members, for the purpose of meeting losses and expenses, are at least 85 percent of total income. For the years ended December 31, 2017 and 2016, members furnished 99 percent of total receipts. We are required to file an Annual Information Return, Form 990.

"Accounting for Uncertainty in Income Taxes" contained in FASC Topic 740 - Income Taxes, requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability. We have not identified any uncertain tax positions requiring recognition in our financial statements and we believe that the positions taken would not require settlement at an amount less than full recognition. We file Form 990 in the U.S. federal jurisdiction. We are generally no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014.

#### Note 1 - Summary of Significant Accounting Policies: (continued)

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, we consider all demand deposits and certificates of deposit with original maturities of three months or less to be cash equivalents.

We have restricted cash and cash equivalents of \$20,758 and \$20,737 as of December 31, 2017 and 2016, respectively. We have restricted certificates of deposit totaling \$377,574 and \$374,115 as of December 31, 2017 and 2016, respectively. Restricted funds are for debt retirement and required by the lenders.

We elected to early adopt ASU 2016-18 which required that restricted cash be included in cash and cash equivalents in the statement of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents Restricted cash	\$ 411,602 <u>20,758</u>	\$ 552,775 <u>20,737</u>
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ <u>432,360</u>	\$ <u>573,512</u>

#### **Contributions in Aid of Construction**

Amounts received to partially or fully cover the cost of line extensions or other plant additions are recorded as equity. These amounts are amortized over the life of the plant constructed.

Contributions for 2017 and 2016 were \$6,989 and \$6,401, respectively.

#### Accounts Receivable

Customer accounts receivables are reported in the balance sheet at outstanding principal. These receivables are short-term and interest is not accrued. Water receivables are considered uncollectible after the customer has been disconnected for at least ninety days. Other trade receivables are written off at the time they are deemed uncollectible. An allowance for water and other trade receivables is recorded when deemed appropriate based on a review of aged receivables and expected recoveries.

The concentrated geographical area in which we operate potentially subjects our trade receivables to credit risk.

#### Inventory

Inventory is stated at the lower of average cost or net realizable value.

Notes payable at December 31, consist of the following:		
Note payable to U.S. Department of Agriculture – Rural Development, payable in monthly installments of \$3,370 including interest of	<u>2017</u>	<u>2016</u>
4.875%, secured by real estate and chattels.	\$ 514,290	\$ 529,243
Note payable to Southside Bank, payable in monthly installments of \$3,308 including interest of 2.45%, secured		
by a certificate of deposit.	317,497	349,010
Sub-Total	831,787	878,253
Less: Current Portion Due Within One Year	<u>(47,993</u> )	(46,466)
Total Long-Term Debt	\$ <u>783,794</u>	\$ <u>831.787</u>

Annual maturities of notes payable as of December 31, 2017 are as follows:

Note 2 – Long-Term Debt:

		,	<b>Principal</b>	<u>Interest</u>	Total
2018		· · · ·	\$ 47,993	\$ 32,141	\$ 80,134
2019		· ).	49,577	30,557	80,134
2020			51,218	28,916	80,134
2021	74	وقابر الطامية	236,455	26,843	263,298
2022 – 2026			105,473	96,727	202,200
2027 – 2031			134,520	67,680	202,200
2032 - 2036			171,566	30,634	202,200
2037	,		34,985	834	35,819
Total	· · ·		\$ <u>831,787</u>	\$ <u>314,332</u>	\$ <u>1,146,119</u>

We are required to comply with certain covenants prescribed by the USDA loan agreement. Major covenants which we must comply with are as follows:

<u>Rate Covenant</u> – The Corporation shall charge rates which will produce gross revenues sufficient at all times to provide for all principal and interest, reserve deposits, and operation and maintenance expenses of the system.

<u>Reserve Fund</u> – The Corporation shall deposit into the Reserve Fund equal monthly installments over a 120month period that, in total, will equal one annual installment.

<u>Insurance</u> – The Corporation will insure the system against risks, accidents, and property damage in addition to carrying public liability insurance. Also, a fidelity bond policy will be carried on the Corporation's employees having access to loan proceeds.

<u>Operating and Maintenance</u> – The Corporation maintains the system in good condition, repair and working order.

At December 31, 2017, we were in compliance with all of the covenants.

Note 3 – Cash Flow Information:

During the year ended December 31, 2017 and 2016, \$33,693 and \$28,582 was disbursed for interest expense, respectively.

Note 4 – Concentration of Credit Risk:

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. Our policy is to place temporary cash investments with major federally insured financial institutions, to limit the amount of credit exposure to any one financial institution, and to monitor counter parties' credit ratings. We require cash deposits from every customer but that is our only collateral requirement.

We maintain investment accounts with major financial institutions. The accounts contain cash and certificates of deposit. Cash and certificates of deposit balances with financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). In some cases the financial institution may pledge securities to cover amounts we deposit in excess of the FDIC limit.

At December 31, 2017, we had deposits in checking accounts which exceeded federally insured limits by \$172,866.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers.

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Note 5 – Risk Management:

We are exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disaster for which we carry commercial insurance. We have not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the years ended December 31, 2017 and 2016.

Note 6 – Subsequent Events:

Management has evaluated subsequent events through **sector states and sectors**, the date which the financial statements were available to be issued.

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

The Board of Directors Jackson Water Supply Corporation Tyler, Texas

We have audited the financial statements of Jackson Water Supply Corporation (a Texas corporation), as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated **because Example:** We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to **financial** audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified conditions in internal control that we consider to be significant deficiencies that we consider to be material weaknesses.

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 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 on a timely basis. We consider the following deficiencies in the Corporation's internal control to be material weaknesses:

#### Material Weakness 1

Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with generally accepted accounting principles (GAAP), the preparer must have certain knowledge and expertise.

Corporation personnel prepare periodic financial statements and other financial information for internal use that meet the needs of management and the Board of Directors. However, the Corporation does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. For entities of the Corporation's size, it generally is not practical to obtain the internal expertise to handle all aspects of the external financial reporting.

#### **Potential Effects**

Incomplete or erroneous financial statements including footnotes.

#### Management Views and Response

The Corporation's management is aware of this material weakness and addresses it by obtaining our assistance in the preparation of the Corporation's annual financial statements. Management reviews and approves the completed statements and distributes them to the users.

#### **Material Weakness 2**

The majority of the general ledger accounts are not being reconciled on a monthly basis. A formal reconciliation procedure for general ledger accounts is a necessary internal control that will assist in preparing accurate and relevant monthly financial statements.

#### **Potential Effects**

Failure to reconcile the general ledger accounts on a monthly basis could allow for errors and irregularities to occur and not be identified in a timely manner.

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#### Management Views and Response

Management and the Board are aware of the weakness and are implementing reconciliation procedures in 2018. We have not audited management's response and, accordingly, we express no opinion on it.

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#### Material Weakness 3

The Company does not have procedures or controls in place for recording inventory usage.

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#### **Potential Effects**

Failure to reconcile the inventory purchases and inventory usage could allow for errors and irregularities to occur and not be identified in a timely manner.

#### Management Views and Response

Management and the Board are aware of the weakness and are implementing additional procedures in 2018. We have not audited management's response and, accordingly, we express no opinion on it.

The above deficiencies were reported in the prior year.

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

#### **Deficiency 1**

Due to the relatively small size of the Corporation's staff, ideal internal controls cannot be achieved. This is not unusual in a company of your size. Management and the Board of Directors should constantly be aware of this condition. Under these circumstances, the most effective controls lie in (1) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction, and (2) knowledge of the financial operations by management and the Board of Directors. This significant deficiency was reported in the prior year.

#### Potential Effects

Future misstatements may occur and go undetected.

#### Management Views and Response

Management agrees with the finding and has implemented compensating controls to reduce the possibility of material misstatement, including oversight by management and those charged with governance. We have not audited management's response and, accordingly, we express no opinion on it.

The above deficiency was reported in the prior year.

The Corporation's management is aware of the deficiencies and addresses them by obtaining our assistance in the preparation of the Corporation's annual financial statements.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Jackson Water Supply Corporation in a separate management letter dated and the separate management.

The purpose of this report is solely 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 the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Longview, Texas

The Board of Directors Jackson Water Supply Corporation Tyler, Texas

We have audited the financial statements of Jackson Water Supply Corporation (a Texas corporation) for the years ended December 31, 2017 and 2016 and have issued our report thereon dated **Protocol 1 Professional standards require that we provide you with information about our** responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

#### **Qualitative Aspects of Accounting Practices**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Jackson Water Supply Corporation are described in Note 1 to the financial statements. In 2017, ASU 2016-18 was early adopted changing the presentation of restricted cash in the statement of cash flows.

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We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

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

Management has made estimates of useful lives and salvage value of plant used for depreciation calculations. We evaluated the key factors and assumptions used in recording the related depreciation in determining that the depreciation recorded is reasonable in relation to the financial statements of the Corporation taken as a whole.

#### Difficulties in Performing the Audit

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

The Board of Directors Jackson Water Supply Corporation Page 2

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Misstatements are proposed corrections that may not have been detected except through auditing procedures. We proposed a number of adjustments, some of which are considered to be misstatements. Management has made all proposed adjustments. In our judgment, the proposed adjustments were material, either individually or in the aggregate, to the financial statements taken as a whole. The adjustments proposed and accepted by management included recording errors in customer billing, adjusting accounts receivable, adjusting depreciation expense, and recording retirements for property, plant, and equipment. The net effect of all adjustments was a \$113,043 decrease in net income.

#### Disagreements with Management

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

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated management.

#### Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The purpose of this report is solely to provide information about the audit of the entity's financial statements. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the results of the audit. Accordingly, this report is not suitable for any other purpose.

Longview, Texas

# Jackson Water Supply Corporation

# **BALANCE SHEETS**

December 31

Assets	2017	2016	
Current Assets:			
Cash and cash equivalents	\$ 411,602	\$ 552,775	
Certificates of deposit	534,486	532,702	
Accounts receivable	64,635	57,050	
Unbilled water sales	33,587	32,115	
Inventory	30,198	30,641	
Prepayments	22,501	17,752	
Total Current Assets	1,097,009	1,223,035	
Restricted Assets:			
Cash, cash equivalents, CDs	398,332	394,852	
Property, Plant, and Equipment:			
Property, plant, and equipment	5,315,024	5,142,016	
Less. Accumulated depreciation	(3,691,924)	(3,544,082)	
Net Property, Plant, and Equipment	1,623,100	1,597,934	
Other Assets:		-	
Option on surface water rights	48,539	46,453	
Total Assets	\$ 3,166,960	\$ 3,262,274	
Liabilities and Members' Equity		۰. <sup></sup>	
Current Liabilities:	·····		
Current portion of long-term debt	\$ 47,993	\$ 46,466	
Accounts payable	33,795	38,555	
Customer deposits	158,800	156,800	
Accrued expenses	7,079	5,041	
Total Current Liabilities	247,667	246,862	
Long-Term Debt, Net of Current Portion	783,794	831,787	
Members' Equity:			
Contributions in aid of construction	91,677	94,123	
Retained earnings			
Reserved for debt retirement	398,332	394,852	
Unreserved	1,645,510	1,694,650	
Total Members' Equity	2,135,519	2,183,625	
Total Liabilities and Members' Equity	\$ 3,166,980	\$ 3,262,274	

# STATEMENTS OF INCOME

For the years ended December 31

	Revenues:	2017		2016	
	Water revenue	\$ 817,757	S	826,680	
	New service fees	33,145		24,500	
	Other fees	53,510		48,200	
	Miscellaneous	3,162		3,955	
	Uncollectibles	(612)		(2,226)	
	Total Revenues	906,962		901,109	
<u>ب</u>	Operating Expenses:				
	Maintenance and repairs - distribution system	258,321		246,665	
	Depreciation	217,523		163,341	
	Salaries	132,705		107,647	
	Insurance	28,792		17,371	
•	. Legal and accounting	26,430		27,587	
`	Office expenses	40,573		39,997	
	Maintenance and repairs - vehicle and other	20,638		10,631	
	Director's expense	23,283		32,557	
	_ Miscellaneous	21,769		20,093	
	Taxes - payroll	12,991		8,736	
-	Utilities	80,219		89,130	
	Travel	39,849		6,681	
	Dues and fees	5,833		7,194	
	Total Operating Expenses	908,926		777,630	
	Operating (Loss) Income	(1,964)		123,479	
	Nonoperating Income (Expense):				
	Interest income	5,370		2,966	
	Other nonoperating income	5,584		6,074	
	Loss on disposal of assets	(20,957)		-0-	
	Interest expense	(33,693)		(28,582)	
	Total Nonoperating Expense	(43,696)		(19,542)	
	Net (Loss) Income	\$ (45,660)	\$	103,937	

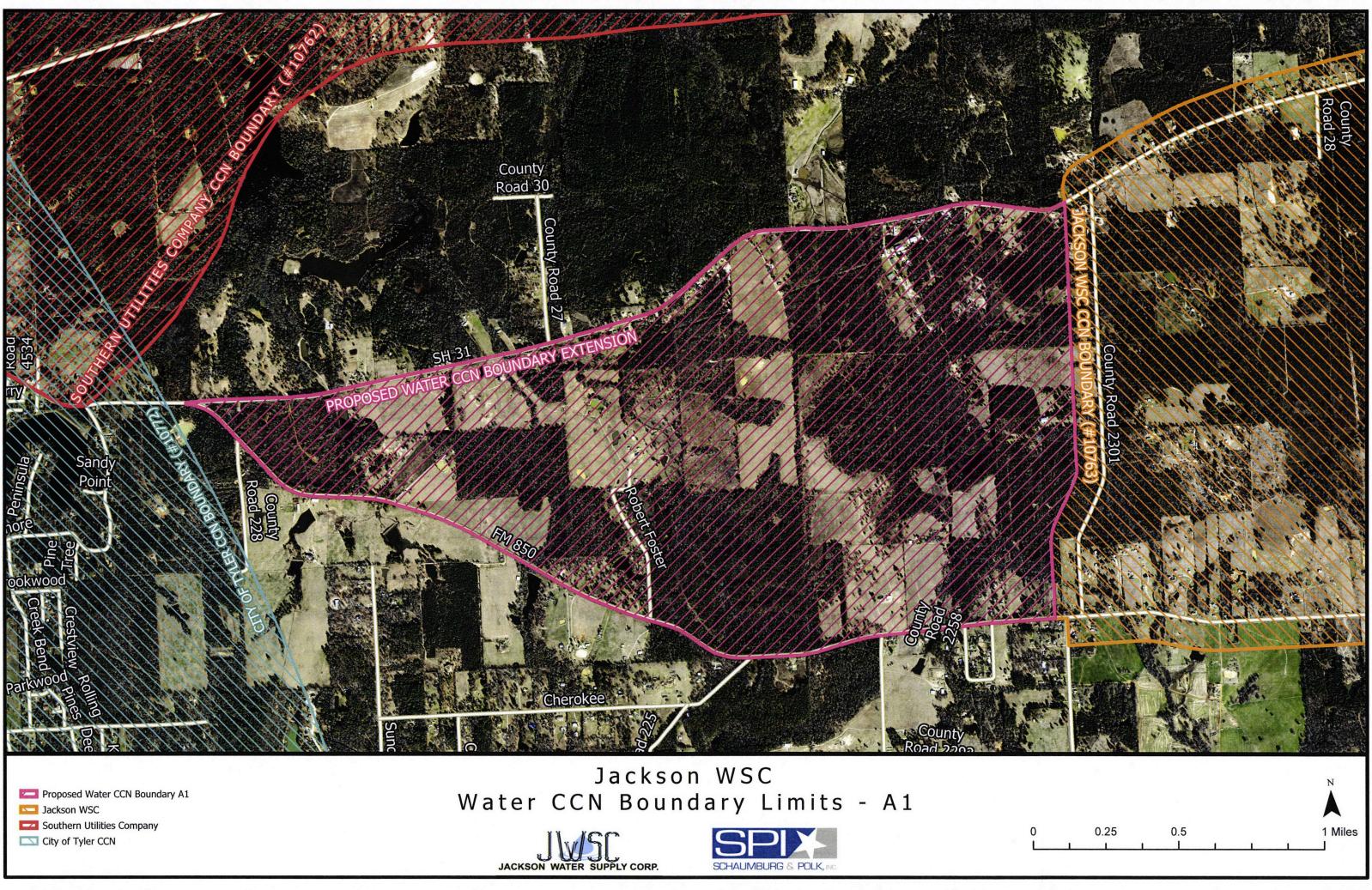
The above balance sheets and statements of income were prepared from the audited financial statements of Jackson Water Supply Corporation for distribution to members. The above statements do not include all disclosures that might be required for fair presentation in conformity with accounting principles generally accepted in the U.S.A. Complete financial statements with report of Certified Public Accountants are on file at the Company's office in Tyler, Texas

# ATTACHMENT 7 PART F: QUESTION 32

JACKSON WSC WATER CCN BOUNDARY LIMITS - A1





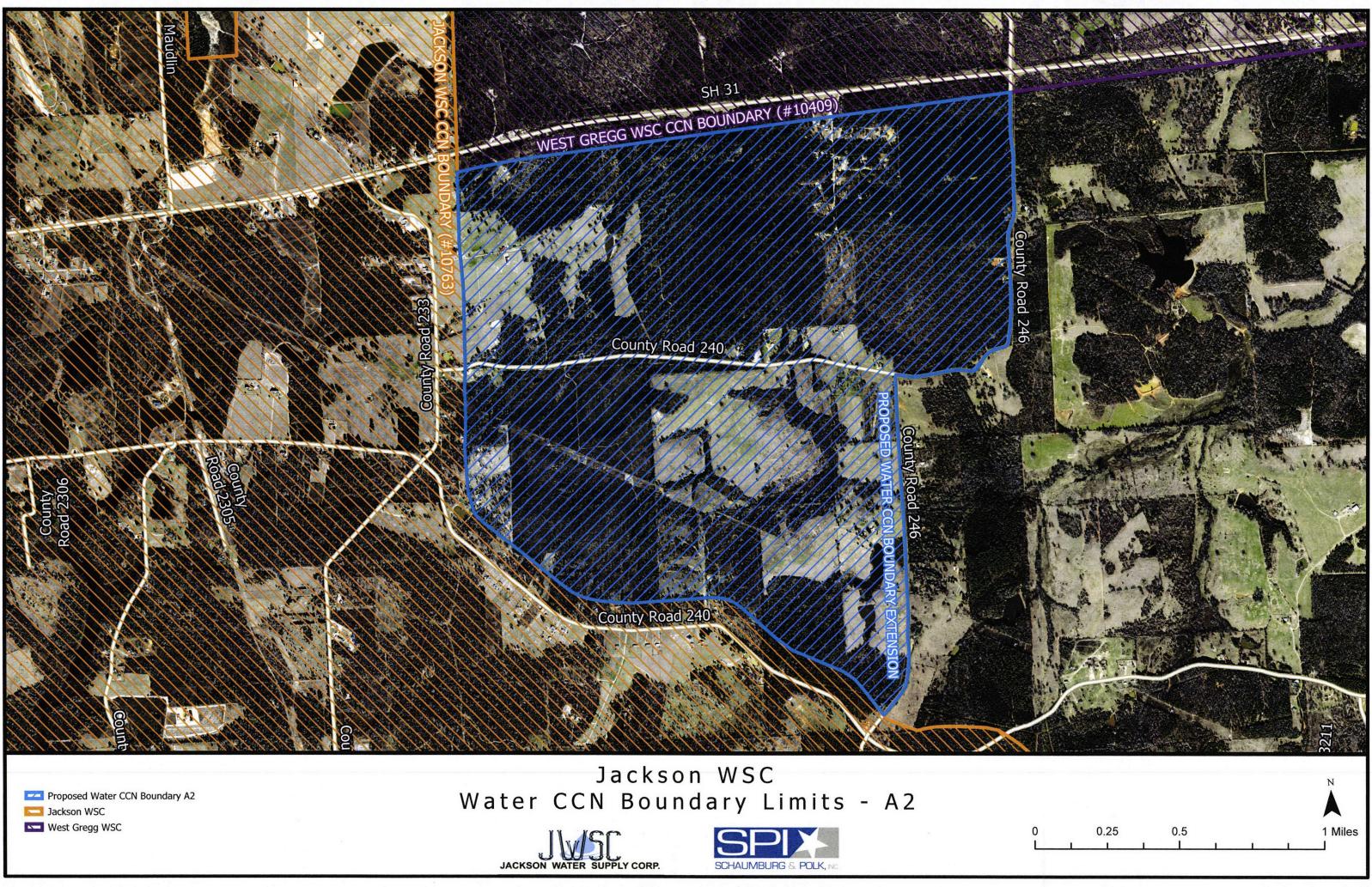




# ATTACHMENT 8 PART F: QUESTION 32

JACKSON WSC WATER CCN BOUNDARY LIMITS – A2











# ATTACHMENT 9 PART F: QUESTION 32

# JACKSON WSC WATER CCN BOUNDARY LIMITS



