

payment of the required fees. The Corporation's written report will state whether the requested service will be provided, whether the requested service can be provided within the time frame specified by the Applicant, and the costs for which the Applicant will be responsible (including capital improvements, easements or land acquisition costs, and professional fees).

In the event the Corporation's initial review of the Applicant's service shows that additional information is needed, the Corporation will notify Applicant of the need for such additional information. Notice of the need for additional information will be made in writing within 30 days of the date the Corporation receives the Applicant payment of the required fees. Applicant should respond to the Corporation's request for additional information within 15 days of receipt of the Corporation's written request. In any case, the Corporation will provide the written report, including any final approval by the Corporation's Board (if applicable) within 90 days from the date of the **initial** written application and payment of all required fees.

By mutual written agreement, the Corporation and the Applicant may extend the time for review beyond the 90 days provided for expedited petitions to the PUC.

3. ***Final approval*** – Upon final approval by the Corporation and acceptance of proposal for service by the Applicant, a non-standard service contract will be executed and the corporation shall provide service according to the conditions contained in the Non-Standard Service Contract.

- i. Map and legal description of the area to be served using map criteria in 16 TAC 24.105(a)(2)(A-G).
- ii. Time frame for:
 - a. Initiation of service
 - b. Service to each additional or projected phase following the initial service
- iii. Detailed description of the nature and scope of the project/development for:
 - a. Initial needs
 - b. Phased and final needs, including a map showing each phase, and the projected land uses that support the requested level of service for each phase
- iv. Flow and pressure for anticipated level of fire protection requested, including line size and capacity
- v. Specific infrastructure needs for anticipated level of fire protection requested, including line size and capacity
- vi. Any additional information requested by the Corporation necessary to determine the capacity and the costs for providing the requested service.
- vii. Copies of all required approvals, reports and studies done by or for the Applicant to support the viability of the proposed development.

Applicant must provide reasonably sufficient information, in writing, to allow the Corporation to determine whether the level and manner of service specified by the Applicant can be provided within the time frame specified by the Applicant and to generally determine what capital improvements, including expansion of capacity of the Corporation's production, treatment and/or storage facilities and/or general transmission facilities properly allocable directly to the service request are needed. If the Applicant proposes development in phases, the Applicant should specify the level and manner of service and the estimated time frame within which that service must be provided for each phase, and the Applicant must depict the currently estimated location of each phase on the maps required under 16 TAC Section 24.105(a)(2)(A-G). It is important that the Applicant's written request be complete. A complete application by the Applicant should include:

- (a) the proposed improvements to be constructed by the Applicant;
- (b) a map or plat signed and sealed by a licensed surveyor or registered professional engineer;
- (c) the intended land use of the development, including detailed information concerning the types of land uses proposed;
- (d) the projected water and/or sewer demand of the development when fully built out and occupied, the anticipated water/sewer demands for each type of land use, and a projected schedule of build-out;
- (e) a schedule of events leading up to the anticipated date upon which service from the CCN holder will first be needed; and
- (f) a proposed calendar of events, including design, plat approval, construction phasing and initial occupancy.

Applicant must establish that current and projected service demands justify the level and manner of service being requested. In making his/her written request for service, the Applicant must advise the Corporation that he/she may request expedited decertification from the PUC.

Upon payment of the required fees, the Corporation shall review Applicant's service request. If no additional information is required from Applicant, the Corporation will prepare a written report on Applicant's service request, subject to any final approval by the Corporation's governing body (if applicable) which must be completed within the 90 days from the date of application and

11. Construction.

- a. All roadwork pursuant to state, county and/or municipal standards (as applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, approved road sleeves /casings may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.
- b. The Corporation shall, at the expense of the Applicant, inspect the facilities to ensure compliance with Corporation standards.
- c. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to issue change-orders of any specifications, due to unforeseen circumstances during the design phase, to better facilitate construction or operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

PART II. Request for Service to Subdivided Property

This section contains additional requirements for applicants that are developers as defined in Section C Definitions.

1. **Sufficient Information** - Applicants shall provide the corporation sufficient information describing the level and manner of service requested and the timeline for initiation of this service. The following is the minimum information needed for an engineering evaluation of the requested service to the property described in the application.
 - a. Completion of requirements described in Section F Part I, including completing the *Non-Standard Service Application*.
 - b. Applicant shall provide the Corporation with details concerning access to the property during evaluation of application.
 - c. Applicant shall be notified in writing by the Corporation or designated representative the timeframe within which the requested service can be provided and the costs for which the applicant will be responsible, in accordance with the details described on the Applicant's request for service.
2. **Service within Subdivisions** – The Corporation's obligation to provide service to any customer located within a subdivision governed by this Section is strictly limited to the level and manner of the nonstandard service specified by the Applicant. The Applicant is responsible for paying for all costs necessary for non-standard service to a subdivision as determined by the Corporation under the provisions of this Tariff and specifically the provisions of this Section; if the Applicant fails to pay these costs, the Corporation has the right to require payment of these costs by any one or more of the persons purchasing lots or homes within such subdivision before the Corporation is obligated to provide water/sewer service (Texas Water Code Section 13.2502). In addition, Corporation may elect to pursue any remedies provided by the Non-Standard Service Contract if one has been executed. Applicant is advised that purchasers of lots also may have legal recourse to the Applicant under Texas law, including but not limited to Texas Water Code Section 13.257, and the Texas Business and Commerce Code Chapter 17, Subchapter E Deceptive Trade Practices & Consumer Protection Act.
 - a.) The Applicant must provide the following in addition to all other information otherwise required by this Section:

WSC subject to the warranties required of Applicant under Subsection (b). Any connection of individual customers to the Facilities shall be made by the WSC.

- b. Upon transfer of ownership of the Facilities, Applicant shall warrant materials and performance of the Facilities constructed by Applicant for ____ months following the date of the transfer.

8. *Property and Right-of-Way Acquisition.* – With regard to construction of facilities, the Corporation shall require private right-of-way easements or purchase of private property as per the following conditions:

If the Corporation determines that right-of-way easements or facility sites outside the Applicant's property are required, the Applicant shall secure easements or else title to facility sites in behalf of the Corporation. All right-of-way easements and property titles shall be researched, validated, and filed by the Corporation at the expense of the Applicant. (See Sample Application Packet RUS Form 442-8 or 442-9 (Rev. 6-06))

- a. All additional costs associated with facilities that must be installed in public rights-of-way on behalf of the Applicant, due to the inability of the Applicant to secure private right-of-way easements, such as including road bores and TxDOT approvals shall be paid by the Applicant. Alternatively, Applicant shall pay all costs, including legal and other professional fees and the condemnation award in the event Corporation secures such private easements or facility sites through eminent domain proceedings.
- b. The Corporation shall require an exclusive dedicated right-of-way easement on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site and off-site facilities.
- c. Easements and facilities sites shall be prepared for the construction of the Corporation's pipelines and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant.

9. *Bids For Construction.* – The Corporation's Consulting Engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available, with or without charge (as per Engineer's determination), to prospective bidders. Although the Corporation reserves the right to reject any bid or contractor, the Corporation shall generally award the contract to the lowest qualified bidder in accordance with the following criteria:

- a. The Applicant shall sign the Service Contract noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;
- b. The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation;

The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;

- c. The Contractor shall supply favorable references acceptable to the Corporation;
- d. The Contractor shall qualify with the Corporation as competent to complete the work (including but not limited to current water/sewer license, OSHA competent person training, and other licenses / certificates as required to complete the project); and
- e. The Contractor shall provide adequate certificates of insurance as required by the Corporation.

10. *Pre-Payment For Construction and Service.* – After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all costs necessary for completion of the project prior to construction and in accordance with the terms of the Non-Standard Service Contract.

Application. Said contract shall define the terms of service prior to construction of required service facilities. The service contract may include, but is not limited to:

- a. All costs associated with required administration, design, construction, and inspection of facilities for water/sewer service to the Applicant's service area and terms by which these costs are to be paid.
 - b. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c. Terms by which service capacity shall be reserved for the Applicant and duration of reserved service with respect to the demand which the level and manner of the service will have upon the Corporation's system facilities.
 - d. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Equity Buy-In Fees.
 - e. Terms by which the Corporation shall administer the Applicant's project with respect to:
 1. Design of the Applicant's service facilities;
 2. Securing and qualifying bids;
 3. Execution of the Service Contract;
 4. Selection of a qualified bidder for construction;
 5. Dispensing advanced funds for construction of facilities required for the Applicant's service;
 6. Inspecting construction of facilities; and
 7. Testing facilities and closing the project.
 - f. Terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuits in connection with the project.
 - g. Terms by which the Applicant shall dedicate, assign and convey to the Corporation all constructed facilities and related rights (including contracts, easements, rights-of-way, deeds, warranties, and so forth) by which the Corporation shall assume operation and maintenance responsibility for the Applicant's project. The Applicant shall also provide reproducible as-built drawings of all constructed facilities. The as-built drawings must verify that all facilities have been properly located within the easements conveyed to the Corporation.
 - h. Terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulations, and bylaws.
6. ***Construction of Facilities by Applicant Prior to Execution of Service Contract.*** – The Corporation and the Applicant must execute a Non-Standard Service Contract prior to the purchase of supplies and materials or initiation of construction of facilities by the Applicant. In the event that the Applicant commences construction of any such facilities prior to execution of a Contract with the Corporation, then the Corporation may refuse to provide service to the Applicant or, in a subdivision, to any person purchasing a lot or home from the Applicant. Alternatively the Corporation may require full costs of replacing/repairing any facilities constructed without prior execution of a contract from any person buying a lot or home from Applicant. At a minimum, the Corporation will require that all facilities be uncovered by the Applicant for inspection by the Corporation, require that any facilities not approved by the Corporation be replaced, and take any other lawful action determined appropriate by the Board of Directors of the Corporation.
7. ***Dedication of Water System Extension to WSC.***
- a. Upon proper completion of construction of all on-site and off-site service facilities to meet the level and manner of service requested by the Applicant (the "Facilities"), the Facilities shall become the property of the WSC. The Facilities shall thereafter be owned and maintained by

NOTE: It is the responsibility of the Applicant to secure all necessary approvals of the subdivision once an Agreement is in place between the Corporation and the Applicant.

- c. A Non-Standard Service Investigation Fee shall be paid to the Corporation in accordance with the requirements of Section G of this Tariff for purposes of paying initial administrative, legal, and engineering fees. The Corporation shall refund any balance that remains after it has completed its service investigation, and has completed all legal and engineering services associated with processing a request. In the event such a fee is not sufficient to pay all expenses incurred by the Corporation, the Applicant shall pay to the Corporation upon the Corporation's request all additional expenses that have been, or will be incurred by the Corporation and Corporation shall have no obligation to complete processing of the Application until all remaining expenses have been paid.
 - d. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property located, in whole or in part, outside the area described in the Corporation's Certificate of Convenience and Necessity, service may be extended provided that:
 - 1). The service location is not in an area receiving similar service from another retail Corporation;
 - 2). The service location is not within another retail Corporation's Certificate of Convenience and Necessity; and
 - 3). The Corporation's Certificate of Convenience and Necessity shall be amended to include the entirety of Applicant's property for which service is requested. Applicant shall pay all costs incurred by Corporation in amending its CCN, including but not limited to engineering and professional fees. If the service location is contiguous to or within one-fourth (1/4) mile of Corporation's Certificate of Convenience and Necessity, Corporation may extend service prior to completing the amendment to its CCN, but will do so only upon Applicant's legally enforceable agreement to fully support such amendment (including but not limited to payment of all professional fees, including legal, surveying and engineering fees incurred by Corporation in securing the amendment).
4. **Design.** The Corporation shall approve the design requirements of the Applicant's required facilities prior to initiation of a Non-Standard Service Contract in accordance with the following schedule:
- a. The Corporation's engineer shall design, or review and approve plans for, all on-site and off-site service facilities for the Applicant's requested service within the Corporation's specifications, incorporating any applicable municipal or other governmental codes and specifications.
 - b. The engineer's fees shall be paid out of the Non-Standard Service Investigation Fee under Tariff Section F 3.
 - c. The engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.
 - d. The Corporation's engineer shall ensure that all facilities for any Applicant meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands provided however, that the Corporation shall pay the expense of such upgrading in excess of that which is reasonably allocable to the level and manner of service requested by the Applicant.
 - e. The Corporation's engineer will determine the fireflow design for any non-standard service request, including new subdivisions, based on density, type of structure, and other factors.
5. **Non-Standard Service Contract.** Applicants requesting or requiring Non-Standard Service **may** be requested to execute a written contract, drawn up by the Corporation's Attorney (see example Section I Sample Forms), in addition to submitting the Corporation's Non-Standard Service

SECTION F. DEVELOPER, SUBDIVISION AND NON-STANDARD SERVICE REQUIREMENTS

Part I. General Requirements. This section details the requirements for all types of non-standard service requests.

1. ***Purpose.*** It is the purpose of this Section to define the process by which the specific terms and conditions for service to subdivisions and other kinds of Non-Standard Service are determined, including the Non-Standard Service Applicant's and the Corporation's respective costs.

For purposes of the Section, the term "Applicant" shall refer to the individual or entity that desires to secure Non-Standard Service from the Corporation. The Applicant must be the same person or entity that is authorized to enter into a contract with the Corporation setting forth the terms and conditions pursuant to which Non-Standard Service will be furnished to the property. In most cases, the Applicant shall be the owner of real property for which Non-Standard Service is sought. In the event that the Applicant is other than the owner of real property, the Applicant must furnish evidence to the Corporation that it is authorized to request Non-Standard Service on behalf of such owner, or that it otherwise has authority to request Non-Standard Service for the real property.

2. ***Application of Rules.*** This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required for a single tract of property. Examples of non-standard services for a single tract of land can include, but are not limited to, road bores, extensions to the distribution system, service lines exceeding 3/4" diameter and service lines exceeding ____ feet. Non-residential or residential service applications requiring a larger sized meter typically will be considered non-standard. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard. This Section may be altered or suspended for planned facility expansions when the Corporation extends its indebtedness. The Board of Directors of the Corporation or their designee shall interpret on an individual basis whether or not the Applicant's service request shall be subject to all or part of the conditions of this Section.

This Section sets forth the general terms and conditions pursuant to which the Corporation will process Non-Standard Service Requests. The specific terms and conditions pursuant to which the Corporation will provide non-standard service in response to any request will depend upon the nature of such request and may be set forth in a legally enforceable, contractual agreement to be entered into by the Corporation and the service Applicant. The agreement may not contain any terms or conditions that conflict with this Section.

3. ***Non-Standard Service Application.*** The Applicant shall meet the following requirements prior to the initiation of a Non-Standard Service Contract by the Corporation:
 - a. The Applicant shall provide the Corporation a completed Non-Standard Service Application. The Applicant shall specify any Special Service Needs, such as large meter size, size of subdivision or multi-use facility.
 - b. A final plat (see Tariff Definition Section- Final Plat) approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

maintained by the Corporation shall be subject to charges as determined by the Corporation's Tariff as amended from time to time by the Board of Directors.

- e) The Corporation shall require each Member to have a cut-off valve within two feet of the meter on the Member's side of the meter for purposes of isolating the Member's service pipeline and plumbing facilities from the Corporation's water pressure. The valve shall meet AWWA standards (a ball valve is preferred). The Member's use of the Corporation's curb stop or other similar valve for such purposes is prohibited. Any damage to the Corporation's equipment shall be subject to service charges. (This cut-off valve may be installed as a part of the original meter installation by the Corporation.)
- f) The member is required to notify the system 48 hours prior to digging or excavation activities along or near water/sewer lines and appurtenances. The Corporation office personnel will instruct members to contact 811 before they dig to have all utility lines properly marked.

back-flow or siphonage into the Corporation's water supply. In particular, livestock water troughs shall be plumbed above the top of the trough with air space between the discharge and the water level in the trough. (30 TAC 290.46, Texas Health & Safety Code Chapter 366)

- 2) The use of pipe and pipe fittings that contain more than 8.0% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or non-residential facility providing water for human consumption and connected to the Corporation's facilities. Customer service pipelines shall be installed by the applicant. (30 TAC 290.46)
- 3) All pipe and fittings used by the customer to convey sewage from its source to the sewer line must be a minimum of D-3034, SDR-35 or equivalent, 4-inch diameter pipe. No DWV (drain waste and vent) pipe or fittings will be allowed. All joints must be watertight and pipe must be installed to recommended grade. All non-household sewer customers who have potential for dirt, grit, sand, grease, oil, or similar substances must install and maintain a trap ahead of their entrance to the Corporation's sewer collection piping. A double cleanout is required at the property line and recommended at the house. The Corporation may impose other site-specific requirements. All sewer and potable water service pipeline installations must be a minimum of nine feet apart and meet all applicable plumbing standards for crossings, etc.

Requirements for Traps:

- (A) Discharges requiring a trap include but are not limited to:
 - (i) grease or waste containing grease in amounts that will impede or stop the flow in the public sewers;
 - (ii) oil, flammable wastes;
 - (iii) sand, and other harmful ingredients.
- (B) Any person responsible for discharges requiring a trap shall, at his own expense, and as required by the approving authority:
 - (i) Provide equipment and facilities of a type and capacity approved by the approving authority;
 - (ii) locate the trap in a manner that provides ready and easy accessibility for cleaning and inspection; and
 - (iii) maintain the trap in effective operating condition.
- (C) Approving Authority Review and Approval (By the Board of Directors or Agency):
 - (i) If pretreatment or control is required, the approving authority shall review and approve design and installation of equipment and processes.
 - (ii) The design and installation of equipment and processes must conform to all applicable statutes, codes, ordinances and other laws.
 - (iii) Any person responsible for discharges requiring pretreatment, flow equalizing or other facilities shall provide and maintain the facilities in effective operating condition at his own expense.

Service shall be discontinued without further notice when installations of new facilities or repair of existing facilities are found to be in violation of this regulation until such time as the violation is corrected.

- c) A Member owning more than one (1) Membership shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service Application and Agreement executed by the Member.
- d) The Corporation's ownership and maintenance responsibility of water supply and metering and sewer equipment shall end at the meter or other service equipment as installed. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and

consider a multiple connection if: (i) those structures are located on the same tract as the primary delivery point and (ii) such structures are not used as a residence or as a commercial or industrial facility.

- 2) A “primary delivery point” shall mean the physical location of a meter tap that is installed in accordance with this Tariff and applicable law and which provides water service to the residence or commercial or industrial facility of a member.
 - 3) A “residence” shall mean any structure which is being used for human habitation, which may include kitchen and bathroom facilities or other evidence of habitation as defined by the Corporation.
 - 4) “Commercial” facility shall mean any structure or combination of structures at which any business, trade, occupation, profession, or other commercial activity is conducted. A business conducted within a member’s residence or property that does not require water in addition to that provided to the member’s residence shall not be considered a separate commercial facility.
- c. The corporation agrees to allow members in good standing to share water usage with a visitor on their property with a recreation vehicle (RV) or travel trailer for a period of no longer than three months. If the recreation vehicle/travel trailer is being used for a permanent residence, this Tariff requires that an additional meter installation and membership be purchased. If the member routinely has more than one visitor at a time with recreation vehicles or travel trailers or has multiple visitors throughout the year, the corporation may require that a second or additional meter(s) be purchased. The member must submit a written request to the corporation’s business office at least five (5) business days prior to sharing corporation water with a visitor. The corporation has the right to refuse or deny the shared usage for any reason. The corporation also has the right to inspect the premises for any potential cross-contamination issues as outlined in the Customer Service Inspection requirements and to ensure that the meter is properly sized for the additional usage at the time of total peak water demand. These requirements pertain to visitors ONLY. No commercial usage where fees for water are charged is allowed. If a member is found to violate these conditions, the member will be sent a letter of notice stating that water service will be cut off in ten days if the situation is not corrected.

26. Master Metered Account Regulations. An apartment building, condominium, manufactured housing (modular, mobile or RV) community, business center or other similar type enterprise may be considered by the Corporation to be a single commercial facility if the owner applies for a meter as a “master metered account” and complies with the requirements set forth in PUC rules, this Tariff and applicable law. The Corporation may allow master metering service to these facilities at an Applicant’s request.

27. Member’s Responsibility.

- a. The Member shall provide access to the meter tap location as per the easement and service agreement. If access to the meter is hindered or denied preventing the reading of the meter, an estimated bill shall be rendered to the Member for the month; and a notice shall be sent to the effect that access could not be gained. If access is denied for three (3) consecutive months after proper notification to the Member, then service shall be discontinued and the meter removed with no further notice. Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.
- b. The Member shall be responsible for compliance with all utility, local, and state codes, requirements, and regulations concerning on-site service and plumbing facilities.
 - 1) All water connections shall be designed to ensure against on-site sewage contamination,

6. connection or reconnection of service without Corporation authorization;
7. connection into the service line of adjacent customers of the Corporation; and
8. preventing the supply or wastewater discharge from being correctly registered by a metering device or sewer tap due to adjusting the valve so that flow is reduced below metering capability.

The burden of proof of Tampering is on the Corporation. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the Corporation's staff when any action regarding Tampering is initiated. A court finding of Tampering may be used instead of photographic or other evidence, if applicable. Unauthorized users of services of the Corporation shall be prosecuted to the extent allowed by law under the Texas Penal Code Sections 28.03 and 12.21 and 12.22.

- b. If the Corporation determines under subsection (a) that Tampering has occurred, the Corporation shall disconnect service without notice as set forth in E 17 b and charge the person who committed the Tampering the total actual loss to the Corporation, including the cost of repairs, replacement of damaged facilities, and lost water revenues.
- c. A person who otherwise destroys, defaces, damages or interferes with Corporation property will be charged the total actual loss to the Corporation including but not limited to the cost of repairs, replacement of damaged facilities, and lost water revenues. The Corporation also will prosecute the offending party to the extent allowed under law pursuant to Texas Water Code Section 49.228 and other applicable laws.
- d. In addition to actual damages charged under subsection (b), the Corporation may assess a penalty against the offending party. The penalty shall not exceed six (6) times the Base Rate.

Note: For purposes of this section, "offending party" means the person who committed the Tampering or damaged the property.

- 24. Meter Relocation.** Relocation of services shall be allowed by the Corporation provided that:
- a. The relocation is limited to the existing property designated to receive service;
 - b. A current easement for the proposed location has been granted to the Corporation; and
 - c. The Member pays the actual cost of relocation plus administrative fees.

25. Prohibition of Multiple Connections To A Single Tap.

a. No more than one (1) residential, commercial, or industrial service connection is allowed per meter. The Corporation may consider allowing an apartment building or mobile home/RV park to apply as a "Master Metered Account" and have a single meter (See Section E 27) If the Corporation has sufficient reason to believe a Multiple Connection exists, the Corporation shall discontinue service under the Disconnection with Notice provisions of this Tariff for a first violation and for subsequent violations, service will be disconnected without notice in accordance with E 17 b (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 01/09))

- b. For purposes of this section, the following definitions shall apply:

- 1) A "multiple connection" is the connection to any portion of a member's water system that is connected to a primary delivery point already servicing one residence, one commercial or industrial facility of a water line serving another residence or commercial or industrial facility. Water lines to outbuildings, barns or other accessory structures shall not be

- h. **Disconnection of Temporary Service** – When an applicant with a Temporary service fails to comply with the conditions stated in the Service Application and Agreement Form or other rules of this Tariff service may be terminated with notice.
18. **Billing Cycle Changes.** The Corporation reserves the right to change its billing cycles if the workload requires such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the Corporation.
19. **Back-billing.** The Corporation may back-bill a Member for up to four (4) years (48 months) for meter error, misapplied meter multiplier, incorrect meter readings, or error in computing a Member's bill. Failure to pay the most recent six (6) months billing will result in disconnection of service.
20. **Disputed Bills.** In the event of a dispute between the Member and the Corporation regarding any bill, the Corporation shall make and conduct an investigation as required by the particular case, and report the results in writing thereof to the Member. All disputes under this Subsection must be submitted to the Corporation, in writing, prior to the due date posted on said bill.
21. **Inoperative Meters.** Water meters found inoperative will be repaired or replaced within a reasonable time. If a meter is found not to register for any period, unless by-passed or tampered with, the Corporation shall make a charge for units used, but not metered, for a period not to exceed six (6) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.
22. **Bill Adjustment.**
- a. Due to Meter Error. The Corporation shall test any Member's meter upon written request of the Member. In the event the meter tests within the accuracy standards of The American Water Works Association, a test fee as prescribed in Section G of this Tariff shall be imposed. In the event the test results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced, and a billing adjustment may be made as far back as six (6) months. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test. (See Misc. Transaction Forms.)
 - b. Due to Estimated Billing. If the Corporation has estimated usage because the Corporation is unable to access the meter due to circumstances beyond the Corporation's control, such as a natural disaster; or because access is hindered or denied by a Member, the Corporation shall adjust the bill once access has been regained and actual usage is determined.
23. **Meter Tampering and Damage to Property.**
- a. For purposes of this Section, the term "Tampering" shall mean meter-tampering, by-passing, or diversion of the Corporation's service equipment, or other instances of diversion, including:
 1. removing a locking or shut-off device used by the Corporation to discontinue service,
 2. physically disorienting the meter or sewer tap,
 3. attaching objects to the meter or sewer tap to divert service or to by-pass,
 4. inserting objects into the meter or sewer tap,
 5. other electrical and mechanical means of tampering with, by-passing, or diverting service,

reasons:

- 1) Failure of the Member to pay for merchandise or charges for non-utility service provided by the Corporation, unless an agreement exists between the Applicant and the Corporation whereby the Member guarantees payment of non-utility service as a condition of service;
 - 2) Failure of the Member to pay for a different type or class of utility service unless a fee for such service is included in the same bill;
 - 3) Failure of the Member to pay charges arising from an under billing occurring due to any misapplication of rates more than six (6) months prior to the current billing;
 - 4) Failure of the Member to pay the account of another Member as guarantor thereof, unless the Corporation has in writing the guarantee as a condition precedent to service;
 - 5) Failure of the Member to pay charges arising from an under billing due to any faulty metering, unless the meter has been tampered with or unless such under billing charges are due under the Inoperative Meters subsection E 21 of this Tariff.
 - 6) Failure of the Member to pay estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the Corporation is unable to read the meter due to circumstances beyond its control.
- d. **Disconnection on Holidays and Weekends** – Unless a dangerous condition exists or the Member requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when personnel of the Corporation are not available to the public for the purpose of making collections and reconnecting service.
- e. **Disconnection Due to Utility Abandonment** – The Corporation may not abandon a Member or a Certificated Service Area without written notice to its Members and all similar neighboring utilities and approval from the PUC.
- f. **Disconnection for Ill Customers** – The Corporation may not discontinue service to a delinquent residential Member or tenant under an alternative billing agreement permanently residing in an individually metered dwelling unit when that Member or tenant establishes that discontinuance of service will result in some person at that residence becoming seriously ill or more seriously ill if service is discontinued. To avoid disconnection under these circumstances, the Member or tenant must provide a written statement from a physician to the Corporation prior to the stated date of disconnection. Service may be disconnected in accordance with Subsection (a) of this Section if the next month's bill and the past due bill are not paid by the due date of the next month's bill, unless the Member or tenant enters into a Deferred Payment Agreement (see Miscellaneous Transaction Forms). The Corporation shall provide notice to an owner of rental property in the event a tenant requests service not be discontinued due to illness as per this subsection.
- g. **Disconnection of Master-Metered Accounts and Non-Standard Sewer Services** – When a bill for water utility services is delinquent for a master-metered service complex (defined as a complex in which a single meter serves two (2) or more residential dwelling units), the following shall apply: ()
- 1) The Corporation shall send a notice to the Member as required. This notice shall also inform the Member that notice of possible disconnection will be provided to the tenants of the service complex in five (5) days if payment is not rendered before that time.
 - 2) At least five (5) days after providing notice to the Member and at least five (5) days prior to disconnection, the Corporation shall post at notices, stating "Termination Notice" in public areas of the service complex notifying the residents of the scheduled date for disconnection of service.
 - 3) The tenants may pay the Corporation for any delinquent bill in behalf of the owner to avert disconnection or to reconnect service to the complex.

TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.

- 11) Failure to pay charges arising from service trip fee as defined in Section G 14, meter re-read fee, or meter read fee when customer on self-read plan failed to submit their meter reading.
- 12) Failure by a Member to pay for all repair or replacement costs resulting from the Member damaging system facilities including, but not limited to water or sewer lines, service taps, meter boxes, valves, or meters by engaging in activities such as property excavations, installment of a driveway or roadway requiring encasements, lowering or re-routing of lines or system components, or by any other action. The Corporation will provide the /Member with notice detailing the extent of the damage, the location of the damage, the cost of repair, and whether the damage occurred on private property or on a public right-of-way. Failure to pay the cost of repair or replacement will result in the /Member's service being disconnected in accordance with the Disconnection with Notice Provisions in this Section. Service will remain disconnected until payment is received or an acceptable payment plan is approved.
- 13) Failure to disconnect or secure additional service tap(s) for an RV or other service connection (See E 25. of this Section) after notification by the Corporation of violation of the Prohibition of Multiple Connections.

b. Disconnection Without Notice – Water utility service may be disconnected without notice for any of the following conditions:

- 1) A known dangerous or hazardous condition exists for which service may remain disconnected for as long as the condition exists, including but not limited to a public health nuisance as defined in Texas Health and Safety Code Sections 341.011 or 343.011. If there is reason to believe a dangerous or hazardous condition exists, the Corporation may conduct a customer service inspection (CSI) to verify the hazardous condition and may notify the local county health office. The Corporation will disconnect without notice if the Member refuses to allow access for the purpose of confirming the existence of such condition and/or removing the dangerous or hazardous condition (30 TAC 290.46(i) and 290.46(j)). Service will be restored when a CSI confirms no health hazard exists, the health hazard has been removed or repaired, or the health hazard has been isolated from the Corporation's water system by the installation of a backflow prevention device.
 - 2) A line leak on the member's side of the meter is considered a potential hazardous condition under b 1. If the Corporation conducts a CSI and discovers that the line leak has created a hazardous condition, the Corporation will provide the member up to five (5) business days, or another time period determined reasonable under the circumstances, to repair the line prior to disconnection of service.
 - 3) Service is connected without authority by a person who has not made application for service or who has reconnected service without authority following termination of service for nonpayment; and
 - 4) In instances of tampering with the Corporation's meter/sewer tap or equipment, by-passing the meter or equipment, or other diversion of water or sewer service.
- NOTE:** Where reasonable, given the nature of the reason for disconnection, a written statement providing notice of disconnection and the reason therefore shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected.

c. Disconnection Prohibited – Utility service may not be disconnected for any of the following

- a. **Disconnection with Notice** – Water utility service may be disconnected for any of the following reasons after proper notification has been given.
- 1) **Returned Checks** – The Corporation shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the Corporation office. Redemption of the returned instrument shall be made by, money order, cashiers's check, credit or debit card. Failure to meet these terms shall initiate disconnection of service. (see Miscellaneous Transaction Forms) Any such instruments returned as insufficient or non-negotiable for any reason for any two billing periods within a 12-month period shall be considered evidence of bad credit risk by the Corporation. The Member/Customer in violation shall not be allowed to pay with a check for a period of 12 months. The payment must be made with a cashier's check, money order, credit or debit card during the 12 month period.
 - 2) Failure to pay a delinquent account for utility service, failure to timely provide a deposit or other security under Section E 8 i, or failure to comply with the terms of a deferred payment agreement (Miscellaneous Transaction Forms);
 - 3) Violation of the Corporation's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of non-standard equipment if a reasonable attempt has been made to notify the Member and the Member is provided with a reasonable opportunity to remedy the situation;
 - 4) Failure of the Member to comply with the terms of the Corporation's Service Agreement, Tariff (including, where appropriate, Section H), Bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.
 - 5) Failure to provide access or hindering access to the meter under the terms of this Tariff or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify. Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.
 - 6) Misrepresentation by any Applicant or Transferee of any fact on any form, document, or other agreement required to be executed by the Corporation.
 - 7) Failure of Member to re-apply for service upon notification by the Corporation that Member no longer meets the terms of the service classification originally applied for under the original service application.
 - 8) Failure to pay for sewer utility service or solid waste service provided by Forest Glen Utility Company pursuant to the Corporation's Agreement with the Forest Glen Utility Company. (16 TAC 24.88(e), 24.87(g); Texas Water Code 13.147, 13.250(b)(2)); solid waste: 16 TAC 24.88(a)(2)(F), Texas Health and Safety Code Section 364.037, Texas Local Government Code Section 552.910.
 - 9) Cancellation of membership by Member on an account that the Member holds for water/sewer service to the Member's renter/lessee, even if the renter/lessee has kept the account balance current under an Alternate Billing Agreement. (Note: The cancellation of membership must be in writing and signed by the Member. CORPORATION ASSUMES NO LIABILITY TO RENTER/LESSEE; MEMBER IS SOLELY RESPONSIBLE FOR COMPLIANCE WITH, AND LIABILITY UNDER ANY FEDERAL, STATE OR LOCAL LAW CREATING OR PROTECTING RIGHTS OF RENTERS/LEASEES.)
 - 10) Violation of any applicable regulation or pertaining to on-site sewage disposal systems if the Corporation has been requested in writing to disconnect service by the TCEQ or the

- b. **Gallonge Charge** shall be billed at the rate specified in Section G and billing shall be calculated in one hundred (100) gallon increments. Water charges are based on monthly meter readings and are calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the Corporation's employees or designated representative.
- c. **Posting of Payments** – All payments shall be posted against previous balances and late fees prior to posting against current billings.
- d. **Forms of Payment:** The Corporation prefers the following forms of payment: personal check, cashier's check, money order, credit or debit card, automatic debit on customer's bank account, or credit/debit card. The Corporation will not accept two-party checks, pay checks, or any other instrument of payment that is not made out to the Corporation. The Corporation prefers not to take cash unless the member/customer has no other means of payment. The Corporation will not assess the credit card processing fee associated with Credit Card payments to those customers which make payment by credit card in accordance with consumer laws.

16. *Due Dates, Delinquent Bills, and Service Disconnection Date.*

- a. The Corporation shall mail all bills on or about the 28th of the month. All bills are considered the responsibility of each person signing the Service Application and Agreement Form. All bills shall be due and payable by the first of the month and are past due after the 15th of the same month (allowing approximately fifteen (15) days to pay), after which time a penalty shall be applied as described in Section G. The time for payment by a political subdivision may be different than your regular due date. (See Texas Government Code 2251.021) A bill is delinquent if not paid on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date.
- b. The board of directors or general manager may elect to not charge a late fee or disconnect fee in accordance with this Tariff during or after the occurrence of a natural disaster or other incident that impacts the property of members or interrupts the management and operation of the system.
- c. Upon written request, any residential customer 60 years of age or older who occupies the entire premises of a dwelling receiving water utility service from the Corporation shall receive extension of the past due date, without penalty. The extension shall not exceed 10 days beyond the usual 15 day payment period for a total of no more than 25 days from the date the bill is issued. The request may specify extension of the late payment periods for current and subsequent billings. (Texas Utilities Code Sections 182.001 - 182.005) If this request originates from a tenant at a rental property the owner / member will be notified in writing of any extension request.
- d. All insufficient fund checks, accounts closed or money orders that have had a "stop payment order" issued for payment of a water bill will be deemed delinquent as if no payment was received and the meter is subject to disconnection with notice on the regular disconnection day.

17. *Rules for Disconnection of Service.* The following describes the rules and conditions for disconnection of service. Notwithstanding any language to the contrary in the Service Application and Agreement Form, the Corporation may only discontinue service for the reasons set forth in this Section. For the purposes of disconnecting sewer service under these policies, water service will be terminated in lieu of disconnecting sewer service. In instances of nonpayment of sewer service or other violations by a Member who is not a water customer, the Corporation has the option to disconnect the sewer tap or take other appropriate actions.

than six (6) months prior to the date of application;

- c. Violation of the Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interferes with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another member or customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
- e. Failure to pay the bill of another member or customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

13. *Deferred Payment Agreement.* The Corporation may offer a deferred payment plan to a Member or rental tenant who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the Corporation, including any Late Penalty Fees or interest on the monthly balance to be determined as per agreement. (See Miscellaneous Transaction Forms) Failure to make required and timely payments as provided in any deferred payment agreement will void that agreement and service will be discontinued. The Corporation may consider another deferred payment agreement provided payments will be made by automatic bank draft or credit/debit card. Non-payment of any amount under an additional deferred payment agreement will cause service to be disconnected immediately and service will not be restored until the account is paid in full and all other charges resulting from the disconnection of service are fully paid. In the event the requestor is a tenant of rental property the Corporation shall notify the owner/member of the deferred payment agreement.

14. *Leak Loss Adjustment.* Yancey WSC recognizes that an unforeseen catastrophic water leak can have considerable financial impact on its members. The purpose of this Leak Loss Adjustment is to provide the member with some relief from abnormally high bills resulting from a verified leak on the member's side of the point of service. A water leak adjustment will be applied to one (1) billing cycle only and is limited to one (1) per account per three (3) year period.

To qualify for a Leak Loss Adjustment the following must be met:

- a. Water usage must be at least five (5) times above the average consumption for the prior twelve (12) months.
- b. A written request from the member for the Leak Loss Adjustment must be received within fourteen (14) days of billing date.

The Leak Loss Calculation is as follows:

- 1. Monthly minimum plus the average usage will be billed at the current tier billing rate.
- 2. Usage over the calculated average will be reduced by fifty (50) percent and billed at Tier one (1) rates.

If the member, who qualifies for a Leak Loss Adjustment is unable to pay the balance due by the due date, the member must sign a Deferred Payment Agreement (E 13) and will have the option to pay the balance within six (6) months. No more than six (6) months will be considered without General Manager or Board approval. (6/13/16) If the member does not qualify for a Leak Loss Adjustment they may apply for a Deferred Payment Agreement.

15. *Charge Distribution and Payment Application.*

- a. **The Base Rate** is for the billing period from the first day of the month to the last day of the month. Charges shall be prorated for meter installations and service termination's falling during the billing period. Billings for this amount shall be mailed on or about the last of the month preceding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member.

- 9. *Owners and Renters.*** Any Member having complied with the requirements of this Tariff, renting or leasing property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The membership for rental or leased properties shall be in the name of the owner of the property as required by this Tariff. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement if the owner requests that the tenant be billed for utility service. (See Miscellaneous Transaction Forms) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation will notify the Member of the renter's past due payment status. Such notification will be subject to a service charge (see Miscellaneous Transaction Forms).

If at any time the member requests that membership be canceled thereby discontinuing service to an occupied rental property, the Corporation shall provide written notice to the tenant(s) a minimum of five (5) days prior to the scheduled disconnection date.

- 10. *Denial of Service.*** The Corporation may deny service for any of the following reasons:
- a. Failure of the Applicant or Transferee to complete all application requirements, including granting an easement, completing all forms, and paying all required fees and charges.
 - b. Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation.
 - c. Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection.
 - d. Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property, for which service has been requested;.
 - e. Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant.
 - f. Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested.
 - g. Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.
 - h. Failure of Applicant or transferee to comply with applicable regulations for on-site sewage disposal systems if the Corporation has been requested to deny service by the TCEQ or the TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.
 - i. Failure of the Applicant or Transferee to pay any previous outstanding delinquent account(s) in full. This could be delinquencies resulting from the same account location or other service location(s) within the system where the Applicant or Transferee received service. (See E 8)
- 11. *Applicant's or Transferee's Recourse.*** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, on the basis of its refusal. The Applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.
- 12. *Insufficient Grounds for Refusal of Service.*** The following shall not constitute sufficient cause for the refusal of service to an Applicant:
- a. Delinquency in payment for service by a previous member or occupant of the premises to be served;
 - b. Failure to pay a bill to correct previous under billing due to misapplication of rates more

may re-assign the canceled Membership to a person or entity that has legal title to the real estate from which the canceled membership arose and for which water service is requested (Texas Water Code Section 67.016). Membership will not be re-assigned unless the person or entity that has legal title to the real estate has complied with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package.

- 2) The Corporation shall reassign a canceled Membership to a person or entity that acquires the real estate from which the Membership arose through judicial or nonjudicial foreclosure. The Corporation will require proof of ownership resulting from the foreclosure and compliance with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package. In the event of foreclosure by a mortgage institution, the Corporation may allow a property management company to acquire the Membership if the management company provides written documentation showing that the management company is legally responsible for the management of the property and it is not feasible for the mortgage institution to be the Member.
- h. **Mortgaging of Memberships** – Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Subsection E 8 d (Cancellation of Membership), the Corporation will notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.
- i. **Cancellation and Re-Assignment of Membership as a Result of Bankruptcy Proceedings** – Upon notice of the filing of a petition in bankruptcy, the Corporation may require the posting of a deposit or other form of security, acceptable to the Corporation, as a condition for continuing utility service. Unless special circumstances require otherwise, the amount of security shall equal the amount of charges for the month of greatest use during the preceding 12 months. The Corporation shall not require the payment of any security prior to the expiration of 20 days following the date on which the petition is filed. Failure to provide this security by the date specified by the Corporation may result in termination of service according to the Disconnection with Notice Provisions of Section E 17 of this Tariff, with a copy of the notice to the bankruptcy Trustee.
- j. **Cancellation and Re-Assignment of Membership as a Result of Divorce (or Dissolution of Joint Tenancy)** – The Corporation shall transfer the membership to a spouse (or joint tenant) who has been awarded the property designated to receive service. The Corporation must be provided adequate documentation of the ownership rights of the spouse (or joint tenant) requesting transfer, such as final divorce decree, temporary court order, or agreement. In no event shall any membership(s) be transferred if the transferee does not otherwise meet the qualifications for membership and for service.

- 3) Qualifications for service upon transfer of Membership set forth in Subsection 8 c (1) of this and 8 c (2) of this Section shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
 - (a) The Transferee has completed the required Application Packet including granting the Corporation with a private utility easement on the form provided by the Corporation;
 - (b) The membership has not been fully or partially liquidated; and
 - (c) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.
- 4). If the application packet and other information is not completed on the day transfer of membership is requested the corporation will give the transferee written notice of 10 additional days to produce completed documentation to the corporation office. Service will be disconnected on the day following the 10th day according to disconnection with notice requirements. Additional time may be allowed at the directions of the manager or board.
- d. **Cancellation of Membership** – To keep a Membership in good standing, a Base Rate must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member's Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership, properly documented, to the Corporation. The Member shall also complete a Service Discontinuance Request Form prior to termination of service. (See Misc. Transaction Forms.) However, a Member is not relieved of any obligations incurred prior to the date of surrender of a properly endorsed Membership prior to termination of service. Rights to future service at this tap shall be extended on an as-available basis and subject to the terms of the Activation of Service Subsection E 5 of this Tariff. (Texas Water Code Section 67.016)
- e. **Liquidation Due To Delinquency** – When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. Generally when a member does not pay for two months the meter is locked for non-payment; if the member does not pay the third month, the membership goes before the board for cancellation. With cancellation, the billing will stop and the Membership Fee will be liquidated for payment of the bad debt. The member has six months, including the above mentioned months, to reinstate the service with payment of the six monthly minimums, membership and debt paid. If a new member purchases the property they must pay the membership, installation, customer service inspection and transfer fee to get the service reassigned (E 8 g) In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (see Tariff Section E, Subsection 17). The Corporation shall collect any remaining account balances by initiation of legal action. Re-instatement of service shall be subject to the terms of the Activation of Service Subsection E 5 of this Tariff.
- f. **Cancellation Due To Policy Non-Compliance** – The Corporation may cancel a Membership anytime a Member fails to comply with policies of the Corporation, including but not limited to Member's failure to provide proof of ownership of the property from which the Membership arose. (Texas Water Code Section 67.016)
- g. **Re-assignment of Canceled Membership.**
 - 1) The Corporation, upon cancellation of Membership under the provisions of this Tariff,

service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Tariff, Section E 17 a (7).

8. **Membership.**

- a. **Eligibility** – Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
- b. **Membership** - Upon qualification for service, qualification for Membership, payment of the required fees, and any debt owed to the Corporation, the Corporation shall certify the Applicant as a Member. The Membership shall entitle the Member to one (1) connection to the Corporation's water/sewer utility service and one (1) share of Corporation Stock. The Membership entitles the Member to one (1) vote in the election of directors and in such other matters requiring the approval of the Corporation's Members at any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. Ownership of more than one (1) Membership shall not authorize the Member to cast more than one (1) vote at any annual or special meeting. Each Membership and Stock thereby represented may be assigned to the specified parcel of land originally designated to receive service at the time of application. (Texas Water Code Section 67.016) **NOTE (1):** In the event that the Corporation is conducting a potential Members survey for indications of interest in future service for the purpose of determining the feasibility of an initial construction or expansion project under RUS guidelines (see Sample Application Packet), regular application procedures may be modified. An Indication of Interest Fee may be required prior to qualifications for receipt of service by the Applicant but shall only be used or applied as a Membership Fee for Membership purposes (upon issuance of a Membership) if service is ultimately received or reserved by the Applicant as a result of the planned project facilities. If service is not provided within the scope of this project, Indication of Interest Fees shall be refunded, less expenses, within sixty (60) days of the loan closing with the Rural Utilities Service. **NOTE (2):** In the event the applicant is in the process of construction the Membership will be considered TEMPORARY until such time as the final Customer Service Inspection is completed and the forms are returned as required. (See Section C, Section E Sub-Section 1. Service Entitlement)
- c. **Transfers of Membership.** – (Texas Water Code Section 67.016)
 - 1) A Member is entitled to transfer Membership in the Corporation only under the following circumstances:
 - (a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - (b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - (c) The Membership is transferred without compensation or by sale to the Corporation; or
 - (d) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
 - 2) In the event that Membership is transferred pursuant to the provisions of Subsection 8 c (1) of this Section, such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall be considered a new application for service and is not binding on the Corporation until such transfer has been approved as provided by Subsection 8 c (3) of this Section.

provisions of Section F. It shall be the responsibility of the property owner to obtain the memberships required for each individual meter.

- d. Notice of application approval and costs of service determined by the Corporation shall be presented to the Applicant in writing and shall remain in effect for a period not to exceed thirty (30) days. After that time the Applicant must re-apply for service. (16TAC 24.81(a)(1))
- e. If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant easement required under this Tariff and in addition to the normally required fees for new customer service, shall pay such sums as are reasonably necessary to cap the existing line in the ROW and construct the appropriate line or lines within that easement for the Corporation's system-wide service. (see Miscellaneous Transaction Forms)

4. ***Ownership of equipment.*** All water meters and equipment and materials required to provide water service to the point of customer connection; water meter or service tap, is the property of the Corporation upon installation, and shall be maintained by the water system only.

5. ***Activation of Standard Service.***

- a. **New Tap** – The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee shall be quoted in writing to the Applicant. Any debt owed to the Corporation and all fees shall be paid or a deferred payment contract signed in advance of installation. (16 TAC 24.86 (a)(1)(A))
- b. **Re-Service** – On property where service previously existed, the Corporation shall charge the Membership Fee (where the Membership Fee has been liquidated or refunded), reconnection costs, any debt owed to the Corporation if the applicant is the person that previously incurred those charges, seasonal reconnect fee as appropriate, and other applicable costs necessary to restore service.
- c. **Performance of Work** – All tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative after all application requirements have been met. The tap for a standard service request shall be completed within five (5) working days whenever practicable, but not later than 10 working days. This time may be extended for installation of equipment for Non-Standard Service Request. (See Section F)
- d. **Inspection of Customer Service Facilities** – The property of the Applicant/Member shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the Corporation. (30 TAC 290.46(j); Section I Service Application and Agreement)

6. ***Activation of Non-Standard Service.*** Activation of Non-Standard Service shall be conducted as prescribed by terms of Section F of this Tariff.

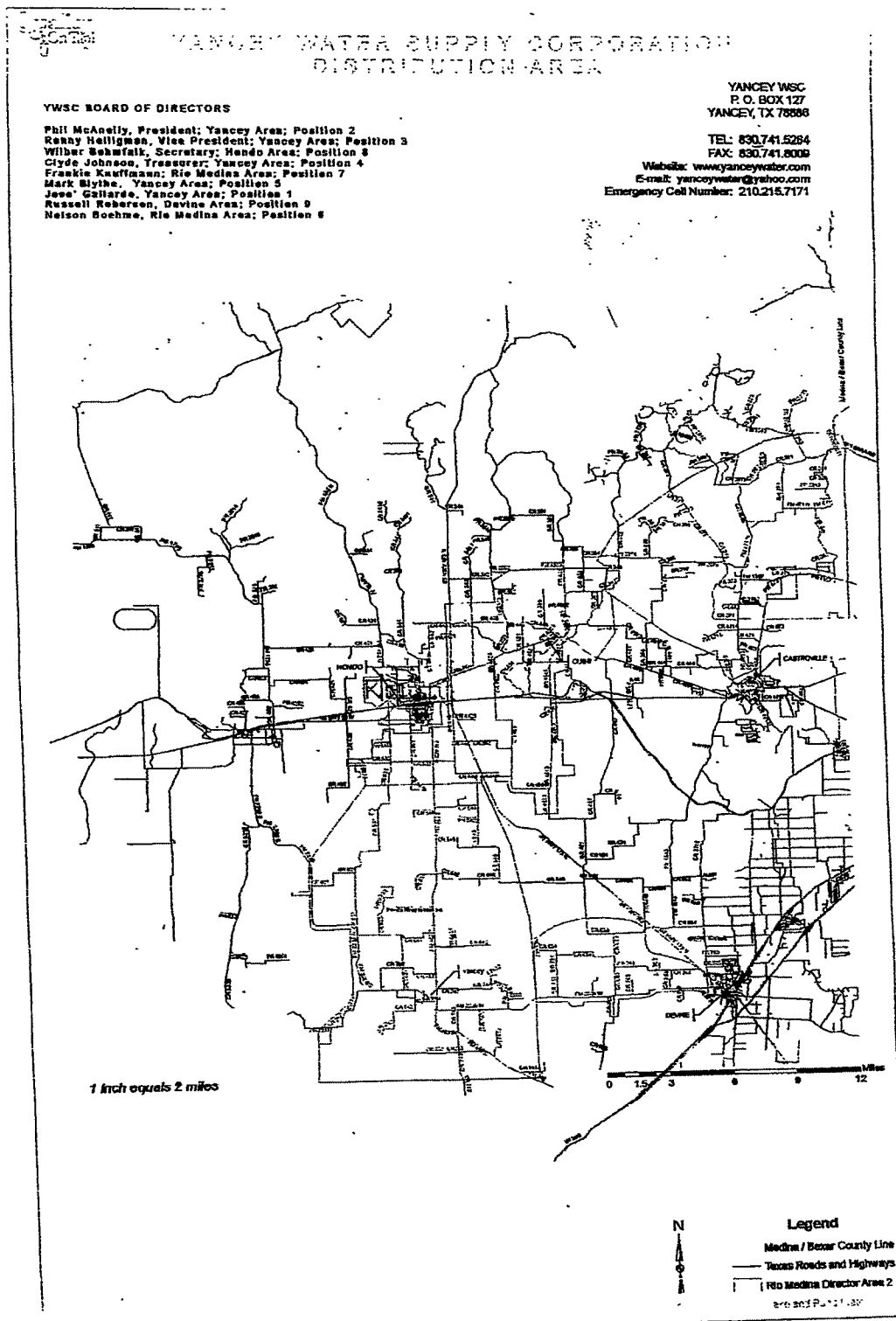
7. ***Changes in Service Classification.*** If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate

SECTION E. SERVICE RULES AND REGULATIONS

1. ***Service Entitlement.*** The Applicant(s) shall be considered qualified and entitled to water utility service when proper application has been made, terms and conditions of Service and Membership have been met and continue to be met, and all fees have been paid as prescribed. (16 TAC 24.85(a))

2. ***Service Location and Classification.*** For the purposes of this Tariff, service requested by the Applicant(s) shall be for real estate designated to receive the service provided by the Corporation. Service shall be through a meter tap located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:
 - a. **Standard Service** is defined as service on a specific property designated to receive service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" or 3/4" sized water meter services set on existing pipelines.
 - b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account (see E 6 of this section), or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.

3. ***Service Requirements.*** The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant(s). Where applicable in addition to the applicant any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form; however, even if the spouse or other person sharing an ownership interest does not sign the Service Application and Agreement Form, they are still responsible for all terms set forth therein, and for any debt obligation related to the account. (See Sample Application RUS-TX Bulletin 1780-9 (Rev. 01/09))
 - a. A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 01/09), 30 TAC 290.47 Appendix C.) **NOTE:** This requirement may be delayed for Non-Standard Service requests.
 - b. The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of title to the real estate designated to receive service. (Texas Water Code Sections 67.016 (e), and 13.002 (11)).
 - c. On the request by the property owner or owner's authorized agent, the Corporation shall install individual meters owned by the Corporation in an apartment house, manufactured home rental community, multiple use facility, or condominium on which construction begins after January 1, 2003, unless the Corporation determines that installation of individual meters is not feasible. If the Corporation determines that installation of meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of submeters or individual meters. The Corporation shall be entitled to the payment of costs, including the costs of individual meter installations, as provided in Section G. The cost of individual meter installation shall be prepaid by the property owner as well as the cost of any additional facilities or supply occasioned by the total water/sewer service demand represented by full occupancy of the property, as determined under applicable



SECTION D. GEOGRAPHIC AREA SERVED

This section should include an area map that shows the Corporation's Certificated Service Area. Therefore, the Corporation must make sure that its current service area corresponds to the area and/or facilities as approved by the PUC in its Certificate of Convenience and Necessity. **It is the responsibility of the Corporation to properly file a map showing its service area with the PUC and to file for any changes in that service area. This copy of the Commission's official service map will serve as documentation in the event of future disputes over service areas.**

CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide (Water or Sewer) Service Under Texas Water Code
and Public Utility Commission Substantive Rules

Certificate No. 11463

I. Certificate Holder:

Name: Yancey Water Supply Corporation
Address: P O Box 127
150 County Rd 743
Yancey, TX 78886

II. General Description and Location of Service Area:

The area covered by this certificate is a bounded service area and facilities plus 200 feet service area.

The bounded service area is located approximately 11 miles northeast of downtown Castroville, Texas, on Farm to Market Rd 1957. The service area is generally bounded on the east by the medina/Bexar County line, on the south by Farm to Market Rd 1957, and on the west and north by Farm to Market Rd 471, in Medina County, Texas

The facilities plus 200 feet service area is located approximately 1 mile east of downtown Hondo, Texas on U.S. Highway 90. The service area is generally located along portions of U.S. Highway 90, State Highway 173, Farm to Market Roads 462, 471, 1283, 2200, 2676 and various county roads in Medina and Frio Counties, Texas.

III. Certificate Maps:

The certificate holder is authorized to provide (water or sewer) service in the area identified on the Commission's official service area map, WRS-5, WRS 83, WRS163 maintained in the offices of the Public Utility Commission, Austin, Texas with all attendant privileges and obligations.

This certificate is issued under Application No. 9076-C and 31134-C subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede, CPA
Donna Ede Jones, CPA

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email edecpa@hotmail.com

April 5, 2017

To the Board of Directors
Yancey Water Supply Corporation

We have audited the financial statements of Yancey Water Supply Corporation for the year ended December 31, 2016, and have issued our report thereon dated April 5, 2017. 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 February 22, 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 is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Yancey Water Supply Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on 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's estimate of depreciation is based on the estimated useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts based on historic collection percentages. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 April 5, 2017.

Management Consultations 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 Organization'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.

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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

Ede & Company, LLC

Ede & Company, LLC
Certified Public Accountants

Yancey Water Supply Corporation
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EDE & COMPANY, LLC
Certified Public Accountants

Eric Ede, CPA
Donna Ede Jones, CPA

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email edecpa@hotmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Yancey Water Supply Corporation

We have audited the accompanying financial statements of Yancey Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Yancey Water Supply Corporation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ede & Company, LLC

Ede & Company, LLC
Knippa, Texas
April 5, 2017

Yancey Water Supply Corporation
Statement of Financial Position
December 31, 2016

A S S E T S

CURRENT ASSETS

Cash	\$ 2,573,152.40
Short-term Investments	254,432.55
Accounts Receivable - Net	182,996.47
Inventory	147,829.60
Other Current Assets	400.00
Total Current Assets	<u>3,158,811.02</u>

FIXED ASSETS

Plant & Equipment	13,163,964.17
Less: Accumulated Depreciation	(6,125,658.04)
Land & Construction in Progress	258,522.12
Easements	44,390.00
Water Right	4,235,021.50
Total Fixed Assets	<u>11,576,239.75</u>

OTHER ASSETS

Cash Restricted for the Retirement of Long-Term Debt	7,772.99
Short-term Investments Restricted for the Retirement of Long-Term Debt	80,683.19
Total Other Assets	<u>88,456.18</u>

TOTAL ASSETS	<u>\$ 14,823,506.95</u>
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L I A B I L I T I E S & N E T A S S E T S

CURRENT LIABILITIES

Accounts Payable	\$ 101,102.21
Accrued Interest Payable	6,280.97
Accrued Payroll Taxes	1,789.45
Accrued Vacation	12,890.50
Due to Other Utilities	51,046.20
Current Portion of Long Term Debt	38,674.50
Total Current Liabilities	<u>211,783.83</u>

LONG TERM DEBT

Bonds Payable	<u>2,938,666.42</u>
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TOTAL LIABILITIES	<u>3,150,450.25</u>
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NET ASSETS

Membership Investment	268,800.00
Net Assets - Temporarily Restricted	88,456.18
Net Assets - Unrestricted	11,315,800.52
Total Net Assets	<u>11,673,056.70</u>

TOTAL LIABILITIES & NET ASSETS	<u>\$ 14,823,506.95</u>
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The Notes to the Financial Statements are an integral part of this statement.

Yancey Water Supply Corporation
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Water Sales	\$ 1,740,612.06	-	1,740,612.06
New Meter Purchase Fees	325,047.77	-	325,047.77
Miscellaneous Income	78,883.02	-	78,883.02
Total Revenues	<u>2,144,542.85</u>	<u>-</u>	<u>2,144,542.85</u>
EXPENSES			
Salaries	609,382.83	-	609,382.83
Payroll Taxes	47,401.59	-	47,401.59
Employee Benefits	80,283.64	-	80,283.64
Utilities	124,187.54	-	124,187.54
Operating Supplies	232,943.57	-	232,943.57
Contract Labor	31,272.50	-	31,272.50
Professional Fees	51,206.48	-	51,206.48
License, Permits, Fees & Dues	147,877.81	-	147,877.81
Repairs	70,930.24	-	70,930.24
Office Expense	21,188.89	-	21,188.89
Insurance	41,241.20	-	41,241.20
Travel & Transportation	39,448.51	-	39,448.51
Depreciation	449,189.51	-	449,189.51
Rent	12,893.26	-	12,893.26
Bad Debts	1,597.28	-	1,597.28
Total Expenses	<u>1,961,044.85</u>	<u>-</u>	<u>1,961,044.85</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>183,498.00</u>	<u>-</u>	<u>183,498.00</u>
NON-OPERATING REVENUES & EXPENSES			
Interest Income	2,462.45	217.30	2,679.75
Gain on Sale of Assets	1,500.00	-	1,500.00
Contributions of Water Rights	117,205.00	-	117,205.00
Transfer to Reserve	(13,314.07)	13,314.07	-
Interest Expense	(82,521.59)	-	(82,521.59)
Total Non-Operating Revenue & Expenses	<u>25,331.79</u>	<u>13,531.37</u>	<u>38,863.16</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	208,829.79	13,531.37	222,361.16
NET ASSETS AT BEGINNING OF YEAR	11,365,270.73	74,924.81	11,440,195.54
NET CHANGE IN MEMBER INVESTMENT	<u>10,500.00</u>	<u>-</u>	<u>10,500.00</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,584,600.52</u>	<u>\$ 88,456.18</u>	<u>\$ 11,673,056.70</u>

The Notes to the Financial Statements are an integral part of this statement.

Yancey Water Supply Corporation
Statement of Cash Flow
For the Year Ended December 31, 2016

Cash Provided by Operations	
Changes in Net Assets	\$ 183,498.00
Items Not Affecting Cash:	
Depreciation	449,189.51
Working Capital Generated From Operations	<u>632,687.51</u>
 (Increase) Decrease in Working Capital	
Accounts Receivable	(16,119.22)
Inventory	(14,843.89)
Other Current Assets	93.00
Accounts Payable	54,609.16
Accrued Interest	(106.20)
Due to Other Utilities	34,575.81
Accrued Payroll Taxes	1,723.28
Accrued Compensated Absences	(485.54)
Net Cash Provided by Operations	<u>692,133.91</u>
 Investing Activities	
Inflows:	
Assets Contributed	117,205.00
Sale of Assets	1,500.00
Outflows:	
Purchase of Short-term Investments	(14,316.60)
Purchase of Assets	(313,056.12)
Total Cash From Investing Activities	<u>(208,667.72)</u>
 Financing Activities	
Inflows:	
Interest Income	2,679.75
Member Investment	10,500.00
Outflows:	
Interest Paid on Long Term Debt	(82,521.59)
Principal Paid on Long Term Debt	(50,344.21)
Total Cash From Financing Activities	<u>(119,686.05)</u>
 Increase (Decrease) in Cash and Cash Equivalents	363,780.14
 Beginning Cash	<u>2,217,145.25</u>
 Ending Cash	<u><u>\$ 2,580,925.39</u></u>
 CASH BALANCES COMPRISED OF:	
Cash Restricted for Retirement of Long-Term Debt	\$ 7,772.99
Unrestricted Cash	2,573,152.40
	<u><u>\$ 2,580,925.39</u></u>

The Notes to the Financial Statement are an integral part of this statement.

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

NOTE 1: Summary of Significant Accounting Policies

A. Nature of Activities

Yancey Water Supply Corporation is a non-profit organization dedicated to providing a safe, economical supply of water to rural residents in Yancey, Texas, and the surrounding area.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation recognizes income and expenses according to the accrual basis of accounting, thereby recognizing income when earned and expenses when incurred.

D. Income Taxes

The Corporation is exempt from Federal Income Taxes under Section 501(c)(12) of the Internal Revenue Code. The organization files information returns in the US. With few exceptions, the organization is no longer subject to US federal income tax examinations by tax authorities for years before 2012.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results can differ from those estimates.

F. Subsequent Events

Subsequent events were evaluated through April 5, 2017, which was the issue date of the report.

NOTE 2: Cash

The Corporation considers highly liquid investments with original maturities of three months or less when purchase to be cash equivalents.

The carrying amount of the Corporation's cash was \$2,580,925.39 and the bank balances were \$2,591,408.58 at December 31, 2016, of which, \$2,591,408.58 was insured by the Federal Deposit Insurance Corporation or collateralized by securities pledged by the financial institution.

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

NOTE 3: Short-term Investments

The corporation held short-term investments of \$335,115.74 at December 31, 2016. These investments were certificates of deposit which were completely insured by the Federal Deposit Insurance Corporation or collateralized by securities pledged by the financial institution

NOTE 4: Accounts Receivable and Bad Debt Recoveries

The Corporation takes a bad debt deduction for accounts receivable over 90 days past due. The Corporation recognizes income on bad debt recoveries.

On December 31, 2016, trade accounts receivable were \$193,289.39, and the allowance for uncollectible accounts was \$10,292.92.

NOTE 5: Inventory

The inventory, for financial statement purposes, is valued at the lower of cost or market on a first-in, first-out basis.

NOTE 6: Depreciable Assets and Depreciation

Depreciable assets are recorded at historical cost. Contributed assets are recorded at fair market value on the date of donation. Depreciation over the estimated useful lives of the assets is determined on the straight-line method for financial reporting purposes. The estimated useful lives used to compute depreciation are: vehicles, 3 years; office furniture, office equipment, and equipment, 5-10 years; water lines, storage, and buildings, 40 years.

NOTE 7: Land and Easements

The Corporation records land and easements at cost. The land and easements are capitalized as assets and are not depreciated.

NOTE 8: Notes Payable

The notes payable as of December 31, 2016, are as follows:

	Balance Outstanding 12/31/2015	Issued During Year	Retired During Year	Balance Outstanding 12/31/2016	Accrued Interest 12/31/2016
USDA-9105	3,027,685.13	-	50,344.21	2,977,340.92	6,280.97
	<u>\$ 3,027,685.13</u>	<u>\$ -</u>	<u>\$ 50,344.21</u>	<u>\$ 2,977,340.92</u>	<u>\$ 6,280.97</u>

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

NOTE 8: Notes Payable - Continued

The annual requirements to retire notes payable as of December 31, 2016, are as follows:

Year Ending			
December 31	Principal	Interest	Total
2017	\$ 38,674.50	\$ 61,054.50	\$ 99,729.00
2018	52,821.15	80,150.85	132,972.00
2019	54,292.16	78,679.84	132,972.00
2020	55,804.18	77,167.82	132,972.00
2021	57,358.28	75,613.72	132,972.00
Thereafter	2,718,390.65	1,280,054.86	3,998,445.51
	<u>\$ 2,977,340.92</u>	<u>\$ 1,652,721.59</u>	<u>\$ 4,630,062.51</u>

NOTE 9: Details of Notes Payable

USDA Note Number 9105 had a balance of \$2,977,340.92 at December 31, 2016. Principal of \$38,674.50 and interest of \$61,054.50 are due in one year. The monthly payment is \$11,081.00. The note carries an annual interest rate of 2.75%, is secured by all assets and income, and matures January 1, 2052.

NOTE 10: Temporarily Restricted Cash and Net Assets

The terms of the loan agreement with the United States Department of Agriculture requires the Corporation to establish a reserve account and make monthly deposits of \$923.50 to this account until it reaches a minimum balance required pursuant to the loan agreement. The amount requirement as of December 31, 2016 is \$46,175.00. At December 31, 2016, the corporation held \$88,456.18 in the reserve account.

Yancey Water Supply Corporation

**Annual Financial Report
For the Year Ended December 31, 2017**

Ede & Company, LLC
Certified Public Accountants

Yancey Water Supply Corporation

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EDE & COMPANY, LLC
Certified Public Accountants

Eric Ede, CPA
Donna Ede Jones, CPA

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email edecpa@hotmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Yancey Water Supply Corporation

We have audited the accompanying financial statements of Yancey Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Yancey Water Supply Corporation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ede & Company, LLC

Ede & Company, LLC
Knippa, Texas
April 3, 2018

Yancey Water Supply Corporation
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Water Sales	\$ 2,306,806.09	-	2,306,806.09
New Meter Purchase Fees	229,358.39	-	229,358.39
Miscellaneous Income	25,181.68	-	25,181.68
Total Revenues	<u>2,561,346.16</u>	<u>-</u>	<u>2,561,346.16</u>
EXPENSES			
Salaries	590,625.89	-	590,625.89
Payroll Taxes	47,082.17	-	47,082.17
Employee Benefits	91,846.99	-	91,846.99
Utilities	131,578.64	-	131,578.64
Operating Supplies	137,342.65	-	137,342.65
Contract Labor	22,717.00	-	22,717.00
Professional Fees	185,022.39	-	185,022.39
License, Permits, Fees & Dues	141,548.52	-	141,548.52
Repairs	76,391.83	-	76,391.83
Office Expense	21,212.64	-	21,212.64
Insurance	48,075.13	-	48,075.13
Travel & Transportation	45,873.20	-	45,873.20
Depreciation	466,993.28	-	466,993.28
Rent	13,604.78	-	13,604.78
Bad Debts	4,088.79	-	4,088.79
Other Expenses	85,525.11	-	85,525.11
Total Expenses	<u>2,109,529.01</u>	<u>-</u>	<u>2,109,529.01</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>451,817.15</u>	<u>-</u>	<u>451,817.15</u>
NON-OPERATING REVENUES & EXPENSES			
Interest Income	2,542.94	267.21	2,810.15
Gain on Sale of Assets	(284.37)	-	(284.37)
Contributions of Assets	177,189.75	-	177,189.75
Transfer to Reserve	(13,325.00)	13,325.00	-
Interest Expense	(81,116.56)	-	(81,116.56)
Total Non-Operating Revenue & Expenses	<u>85,006.76</u>	<u>13,592.21</u>	<u>98,598.97</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	536,823.91	13,592.21	550,416.12
NET ASSETS AT BEGINNING OF YEAR	11,584,600.52	88,456.18	11,673,056.70
NET CHANGE IN MEMBER INVESTMENT	<u>8,000.00</u>	<u>-</u>	<u>8,000.00</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,129,424.43</u>	<u>\$ 102,048.39</u>	<u>\$ 12,231,472.82</u>

The Notes to the Financial Statements are an integral part of this statement.

Yancey Water Supply Corporation
Statement of Financial Position
December 31, 2017

A S S E T S

CURRENT ASSETS

Cash	\$ 2,635,707.86
Short-term Investments	255,136.59
Accounts Receivable - Net	150,690.58
Inventory	147,829.60
Other Current Assets	379.41
Total Current Assets	<u>3,189,744.04</u>

FIXED ASSETS

Plant & Equipment	13,554,877.48
Less: Accumulated Depreciation	(6,587,610.69)
Land & Construction in Progress	257,528.37
Easements	48,566.07
Water Right	4,739,233.50
Total Fixed Assets	<u>12,012,594.73</u>

OTHER ASSETS

Cash Restricted for the Retirement of Long-Term Debt	7,774.47
Short-term Investments Restricted for the Retirement of Long-Term Debt	94,273.92
Total Other Assets	<u>102,048.39</u>

TOTAL ASSETS	<u>\$ 15,304,387.16</u>
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L I A B I L I T I E S & N E T A S S E T S

CURRENT LIABILITIES

Accounts Payable	\$ 83,670.42
Accrued Interest Payable	6,171.80
Accrued Payroll Taxes	468.26
Accrued Vacation	20,698.98
Due to Other Utilities	36,310.23
Current Portion of Long Term Debt	53,185.17
Total Current Liabilities	<u>200,504.86</u>

LONG TERM DEBT

Bonds Payable	<u>2,872,409.48</u>
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TOTAL LIABILITIES	<u>3,072,914.34</u>
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NET ASSETS

Membership Investment	276,800.00
Net Assets - Temporarily Restricted	102,048.39
Net Assets - Unrestricted	11,852,624.43
Total Net Assets	<u>12,231,472.82</u>

TOTAL LIABILITIES & NET ASSETS	<u>\$ 15,304,387.16</u>
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The Notes to the Financial Statements are an integral part of this statement.

Yancey Water Supply Corporation
Statement of Cash Flow
For the Year Ended December 31, 2017

Cash Provided by Operations	
Changes in Net Assets	\$ 451,817.15
Items Not Affecting Cash:	
Depreciation	466,993.28
Prior Period Adjustment	<u>(750.00)</u>
Working Capital Generated From Operations	918,060.43
(Increase) Decrease in Working Capital	
Accounts Receivable	32,305.89
Inventory	-
Investments	(994.77)
Other Current Assets	20.59
Accounts Payable	(16,681.79)
Accrued Interest	(109.17)
Due to Other Utilities	(14,735.97)
Accrued Payroll Taxes	(1,321.19)
Accrued Compensated Absences	<u>7,808.48</u>
Net Cash Provided by Operations	<u>924,352.50</u>
Investing Activities	
Inflows:	
Assets Contributed	177,189.75
Sale of Assets	5,750.00
Outflows:	
Purchase of Short-term Investments	(13,300.00)
Purchase of Assets	<u>(909,382.63)</u>
Total Cash From Investing Activities	<u>(739,742.88)</u>
Financing Activities	
Inflows:	
Interest Income	2,810.15
Member Investment	8,000.00
Outflows:	
Interest Paid on Long Term Debt	(81,116.56)
Principal Paid on Long Term Debt	<u>(51,746.27)</u>
Total Cash From Financing Activities	<u>(122,052.68)</u>
Increase (Decrease) in Cash and Cash Equivalents	62,556.94
Beginning Cash	<u>2,580,925.39</u>
Ending Cash	<u>\$ 2,643,482.33</u>
CASH BALANCES COMPRISED OF:	
Cash Restricted for Retirement of Long-Term Debt	\$ 7,774.47
Unrestricted Cash	2,635,707.86
	<u>\$ 2,643,482.33</u>

The Notes to the Financial Statement are an integral part of this statement.

YANCEY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: Summary of Significant Accounting Policies

A. Nature of Activities

Yancey Water Supply Corporation is a non-profit organization dedicated to providing a safe, economical supply of water to rural residents in Yancey, Texas, and the surrounding area.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation recognizes income and expenses according to the accrual basis of accounting, thereby recognizing income when earned and expenses when incurred.

D. Income Taxes

The Corporation is exempt from Federal Income Taxes under Section 501(c)(12) of the Internal Revenue Code. The organization files information returns in the US. With few exceptions, the organization is no longer subject to US federal income tax examinations by tax authorities for years before 2014.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results can differ from those estimates.

F. Subsequent Events

Subsequent events were evaluated through April 5, 2017, which was the issue date of the report.

NOTE 2: Cash

The Corporation considers highly liquid investments with original maturities of three months or less when purchase to be cash equivalents.

The carrying amount of the Corporation's cash was \$2,635,707.86 and the bank balances were \$2,651,894.12 at December 31, 2017, of which, \$2,651,894.12 was insured by the Federal Deposit Insurance Corporation or collateralized by securities pledged by the financial institution.

YANCEY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3: Short-term Investments

The corporation held short-term investments of \$255,136.59 at December 31, 2017. These investments were certificates of deposit which were completely insured by the Federal Deposit Insurance Corporation or collateralized by securities pledged by the financial institution

NOTE 4: Accounts Receivable and Bad Debt Recoveries

The Corporation takes a bad debt deduction for accounts receivable over 90 days past due. The Corporation recognizes income on bad debt recoveries.

On December 31, 2017, trade accounts receivable were \$163,399.89, and the allowance for uncollectible accounts was \$12,709.31.

NOTE 5: Inventory

The inventory, for financial statement purposes, is valued at the lower of cost or market on a first-in, first-out basis.

NOTE 6: Depreciable Assets and Depreciation

Depreciable assets are recorded at historical cost. Contributed assets are recorded at fair market value on the date of donation. Depreciation over the estimated useful lives of the assets is determined on the straight-line method for financial reporting purposes. The estimated useful lives used to compute depreciation are: vehicles, 3 years; office furniture, office equipment, and equipment, 5-10 years; water lines, storage, and buildings, 40 years.

NOTE 7: Land and Easements

The Corporation records land and easements at cost. The land and easements are capitalized as assets and are not depreciated.

NOTE 8: Notes Payable

The notes payable as of December 31, 2017, are as follows:

	Balance Outstanding 12/31/2016	Issued During Year	Retired During Year	Balance Outstanding 12/31/2017	Accrued Interest 12/31/2017
USDA-9105	2,977,340.92	-	51,746.27	2,925,594.65	6,171.80
	<u>\$ 2,977,340.92</u>	<u>\$ -</u>	<u>\$ 51,746.27</u>	<u>\$ 2,925,594.65</u>	<u>\$ 6,171.80</u>

YANCEY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8: Notes Payable - Continued

The annual requirements to retire notes payable as of December 31, 2017, are as follows:

Year Ending			
December 31	Principal	Interest	Total
2017	\$ 53,185.17	\$ 79,786.83	\$ 132,972.00
2018	54,666.33	78,305.67	132,972.00
2019	56,188.75	76,783.25	132,972.00
2020	57,753.58	75,218.42	132,972.00
2021	59,361.97	73,610.03	132,972.00
Thereafter	<u>2,644,438.85</u>	<u>1,187,786.35</u>	<u>3,832,225.20</u>
	<u>\$ 2,925,594.65</u>	<u>\$ 1,571,490.55</u>	<u>\$ 4,497,085.20</u>

NOTE 9: Details of Notes Payable

USDA Note Number 9105 had a balance of \$2,925,594.65 at December 31, 2017. Principal of \$53,185.17 and interest of \$79,786.83 are due in one year. The monthly payment is \$11,081.00. The note carries an annual interest rate of 2.75%, is secured by all assets and income, and matures October 3, 2051.

NOTE 10: Temporarily Restricted Cash and Net Assets

The terms of the loan agreement with the United States Department of Agriculture requires the Corporation to establish a reserve account and make monthly deposits of \$923.50 to this account until it reaches a minimum balance required pursuant to the loan agreement. The amount requirement as of December 31, 2017 is \$46,175.00. At December 31, 2017, the corporation held \$102,048.39 in the reserve account.

ATTACHMENT H,

Item #32.1

General Location Map

ATTACHMENT I,

Item #32.2

Detailed Large Map

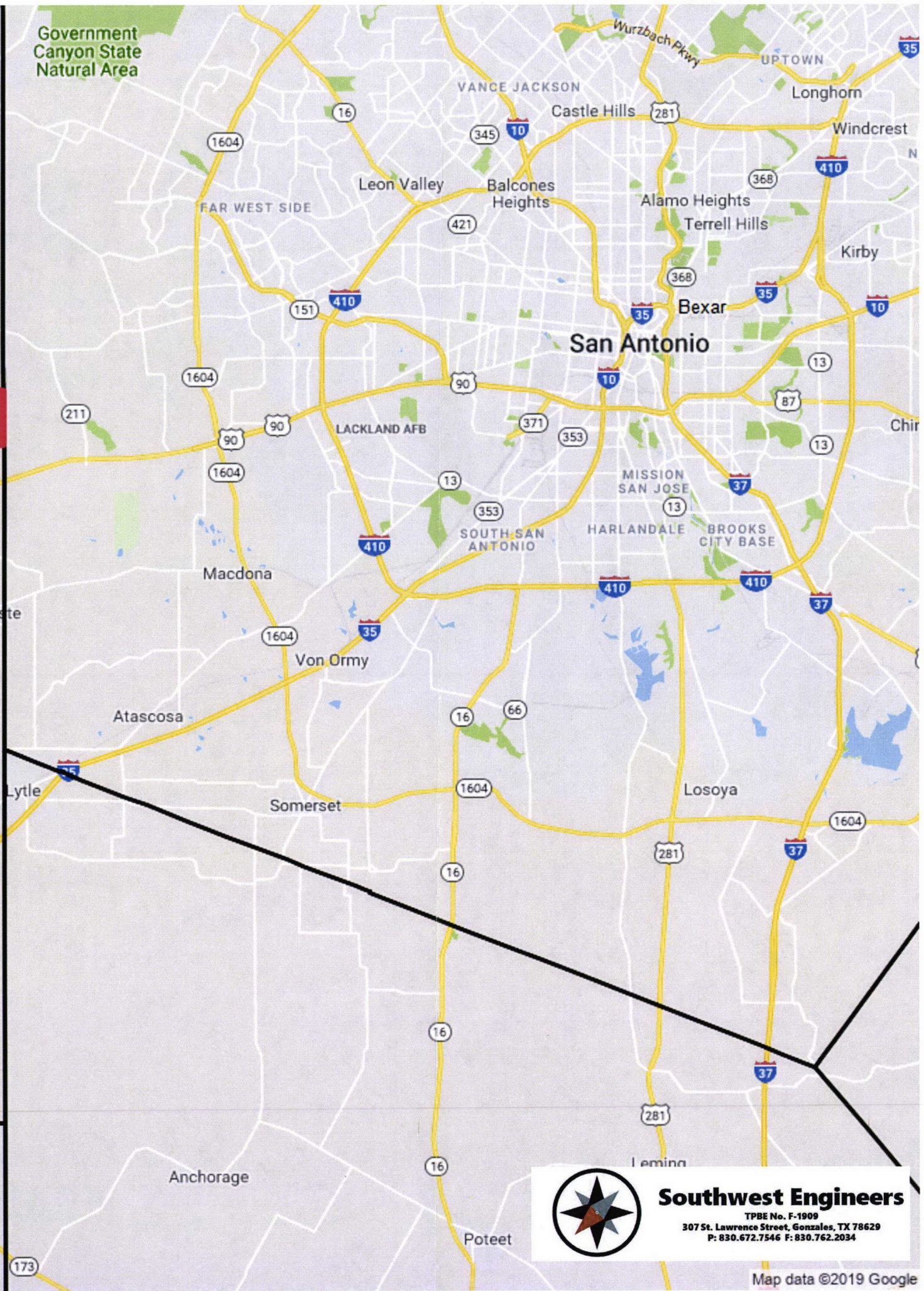
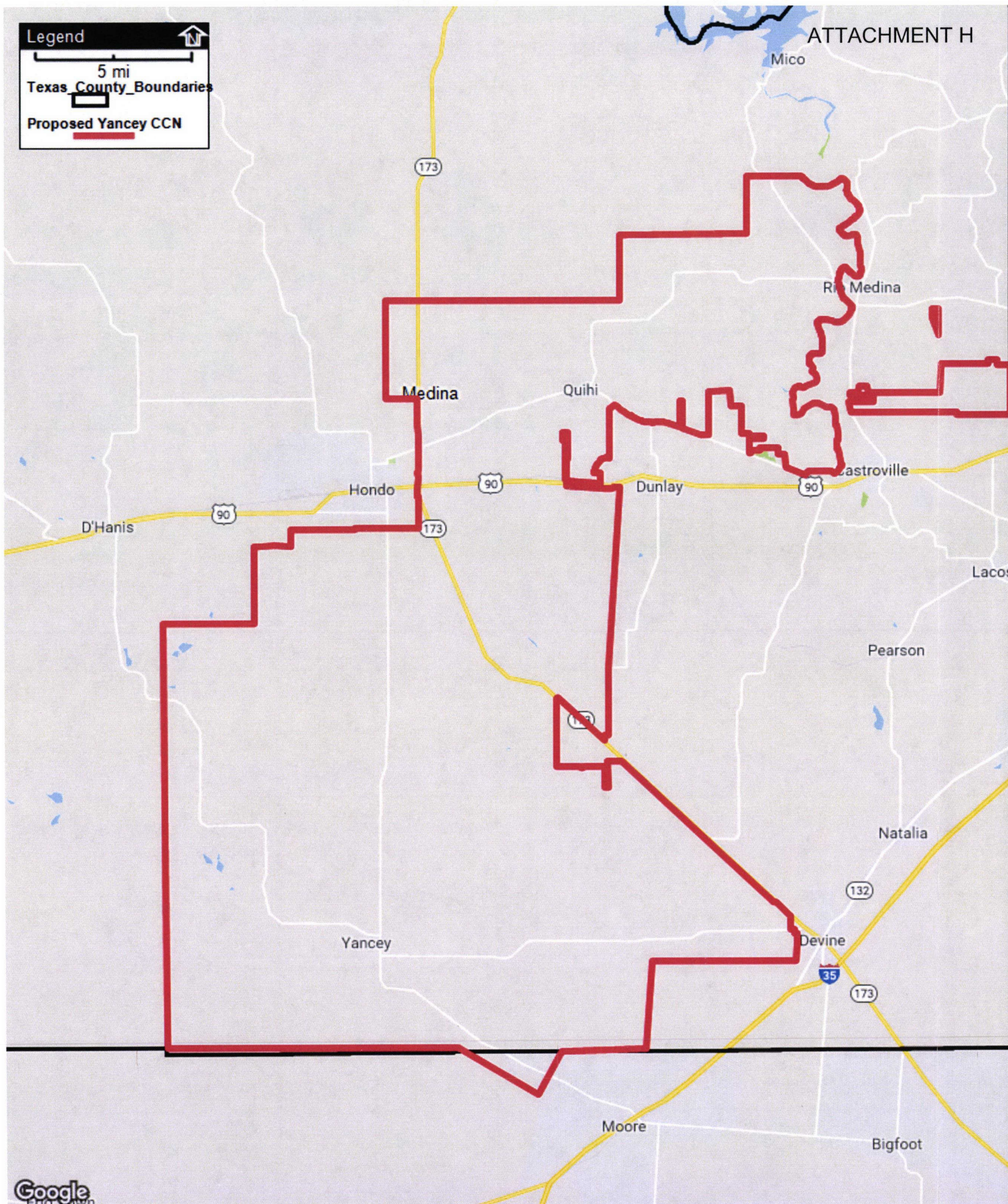
Legend

5 mi

Texas County Boundaries

Proposed Yancey CCN

ATTACHMENT H



Southwest Engineers
 TPBE No. F-1909
 307 St. Lawrence Street, Gonzales, TX 78629
 P: 830.672.7546 F: 830.762.2034

ATTACHMENT I

