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SECTION G.

RATES AND SERVICE FEES

UNLESS SPECIFICALLY DEFINED IN THIS RATE ORDER, ALL FEES, RATES, AND CHARGES AS STATED SHALL BE NON-REFUNDABLE.

1. Service Investigation Fee. The District shall conduct a service investigation for each service application submitted to the District. An initial determination shall be made by the District, without charge, as to whether the request is for standard or non-standard service. An investigation shall then be conducted by the District and the results reported under the following terms:

(a) Standard Service Requests. All standard service requests shall be investigated without charge and all applicable costs for providing service shall be quoted in writing to the applicant within 20 working days of application.

(b) Non-standard Service Requests. All non-standard service requests shall be subject to a Service Investigation Fee in the amount \$2,500 plus \$10.00 for each service connection in excess of two hundred and fifty (250) service connections, unless the District determines otherwise, in which case the District shall charge a Service Investigation Fee appropriate to the project and of sufficient amount to cover all administrative, legal and engineering costs associated with an investigation of the District's ability to provide service to the applicant's project, which may include:

- (1) providing cost estimates of the project;
- (2) presenting detailed plans and specifications as per final plat;
- (3) advertising and accepting bids for the project;
- (4) preparing a Non-Standard Service contract between the District and applicant; and
- (5) providing other services as required by the District for such investigation.

2. Deposits.

(a) Initial Payment and Amount. At the time an application for service is approved, the applicant shall pay a Deposit to be held by the District, without interest, until settlement of the customer's final bill. The Deposit will be used to offset unpaid charges or bills.

(1) Owners. A property owner will pay a deposit of \$200.00 with a \$50.00 Account Transfer Fee.

(2) Tenants. A Tenant will pay a deposit of \$250.00 with a \$50.00 Account Transfer Fee.

(b) Reestablishment of Deposit. Every service applicant who has previously been a customer of the District and whose service has been discontinued for nonpayment of bills, meter tampering, bypassing of meter or failure to comply with applicable state regulations of the District shall be required, before service is resumed, to pay all amounts due the District

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or execute a deferred payment agreement, if offered, and shall be required to pay a deposit and shall be required to pay the deposit established by Section G.3(a) if the District does not currently have a deposit from the customer.

(c) Refund of Deposit. If service is not connected, or after disconnection of service, the District shall refund the service applicant's or customer's deposit, if any, in excess of the unpaid bills for service furnished. In the event that a surplus of Five Dollars (\$5.00) or more exists after the final bill is paid, the balance of the Deposit will be paid to the customer within 45 days provided the customer has given the District written notice of a forwarding address. All requests for Deposit refunds shall be made in writing and must be delivered to the District within 90 days of termination of service. In the event that an outstanding balance exists after the Deposit is applied, the District shall attempt to collect the outstanding balance by all lawful means available. A customer who terminates service without notice and providing a forwarding address to the District shall not be entitled to a deposit refund.

(d) Transfer of Service. A transfer of service from one service location to another within the District's service area shall not be deemed a disconnection within the meaning of this subsection as long as the customer is in good standing, and no additional deposit may be required unless by this section

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

4. Connection Fee. The District shall charge a Connection Fee for water service as follows:

(a) Standard Service.

(1) The Connection Fee for standard water service shall include all labor, materials for construction, installation, and initial inspection of a tap or connection to the District's water system, including all necessary service lines and meters: \$4,250.00.

(2) In addition to the Connection Fee, the District may charge the applicant for any extraordinary expenses such as the cost of water meters larger than 1", road bores, street crossings, line extensions and system improvements and pipeline relocations under Section E.2(c)(6) of this rate order.

(b) Non-Standard Service.

(1) The Connection Fee for non-standard water service which, for the purpose of this section, is defined to be retail water service by the District to land that is being developed pursuant to the Texas Local Government Code that at the time of platting was not being provided with water service by the District, shall be \$4,250.00 for each service connection.

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(2) Prior to the installation of any facilities to which Non Standard Connection Fees apply, the applicant shall execute a Non-Standard Service agreement with the District.

5. Monthly Charges.

(a) Water Service. The District shall assess the following monthly charges for water service:

Minimum monthly bill for ¾" meter (includes 0 gallons)	\$ 35.00
Minimum monthly bill for 1" meter (includes 0 gallons)	\$ 60.00
Minimum monthly bill for 2" meter (includes 0 gallons)	\$ 98.00
Minimum monthly bill for 3" meter (includes 0 gallons)	\$186.00
Minimum monthly bill for 6" meter (includes 0 gallons)	\$714.00

\$6.35/1000 GALS FOR 0 – 5,000 gallons
\$7.05/1000 GALS FOR 5,001 – 10,000 gallons
\$8.09/1000 GALS FOR 10,001 – 15,000 gallons
\$10.00/1000 GALS FOR 15,001 – 25,000 gallons
\$11.27/1000 GALS FOR Over 25,000 gallons

6. Late Payment Fee. A one-time penalty of \$20.00 shall be applied to delinquent bills. This late payment penalty shall not be applied to any balance to which the penalty was applied in a previous billing, but shall be applied to any unpaid balance during the current billing period.

7. Returned Check Fee. If a check, draft, or any other similar instrument is given by any person for payment of services provided for in this rate order, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$35.00.

8. Reconnect Fee. The District shall charge a Reconnect Fee of \$70.00 for restoration of service after disconnection for any reason stated in this rate order or to restore service after disconnection at a customer's request, except for re-service under Sections E.3(b) and E.4(b) of this rate order.

9. Equipment Damage Fee. The District shall charge for all labor, material, equipment, and all other actual costs necessary to repair or replace all equipment damaged due to negligence, meter tampering or bypassing, reconnecting service without authority or other service diversion. The utility may charge for all actual costs necessary to correct service diversion or unauthorized taps where there is no equipment damage, including incidents where service is reconnected without authority. An itemized bill of such charges shall be provided to the customer. In cases of meter tampering or service diversion, the District may disconnect the service of a customer refusing to pay damage charges. [See 30 TAC § 291.87(n)].

10. Customer Inquiry Fee. A fee of \$5.00 shall be charged to provide a copy of the customer's record of past water purchases or reprint of a bill in response to a customer's request for such a record.

11. Meter Test Fee. The District shall perform a diagnostic test on a customer's meter upon written request of the customer and upon payment of a Meter Test Fee of \$35.00. If the customer requests that the meter be removed and submitted to the manufacturer for a certified test, a fee of \$125.00 plus the cost of the test shall apply.

12. Transfer Fee. A \$50.00 Administrative Fee must be paid by a Customer when

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transferring an existing account in their name.

13. Temporary Service Charges. A tap fee of \$150.00 shall be charged plus actual installation charges for temporary water service. In addition to the tap fee, and prior to receiving temporary service, contractors shall pay a deposit of \$1,500.00. Applicants shall also pay any other applicable fees or charges set forth in this rate order. If temporary service at an existing connection is requested for inspection purposes, a flat fee of \$70.00 shall apply.

14. Easement Fee. The District shall charge an Easement Fee of \$25.00 when applicable to cover administrative costs and the cost of recording easements in the land records of the county.

15. Additional Assessments. In the event any federal, state or local government imposes on the District a "per meter" fee or an assessment based on a percent of water charges, this fee or assessment will be billed and collected as a "pass through" charge to the customer.

16. Non-Standard Service Inspection Fee. The District shall conduct an initial inspection of non-standard service facilities. All non-standard service requests shall be subject to a Non-Standard Service Inspection Fee in the amount of 5% of construction costs of total build out, payable in accordance with the terms set forth in Section F of this rate order. In the event any deficiency is identified requiring an additional inspection or inspections, the District shall charge a fee of \$150 for each additional inspection.

17. Other Fees. All services outside the normal scope of utility operations that the District may be compelled to provide at the request of a customer shall be charged to the recipient based on the cost of providing such service.

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WATER RESOURCE AND EMERGENCY
MANAGEMENT PLAN
**BEAR CREEK SPECIAL UTILITY
DISTRICT**

MAY 2015

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APPENDICES

APPENDIX A	List of References
APPENDIX B	Texas Commission on Environmental Quality Rules on Drought Contingency Plans
	<ul style="list-style-type: none">• Texas Administrative Code Title 30, Part 1, Chapter 288, Subchapter B, Rule §288.20 – Drought Contingency Plans for Municipal Uses by Public Water Suppliers
APPENDIX C	Letters to Region C and Region D Water Planning Groups
APPENDIX D	Adoption of Water Resource and Emergency Management Plan
	<ul style="list-style-type: none">• Special Utility District Order Adopting Water Resource and Emergency Management Plan

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1. INTRODUCTION AND OBJECTIVES

The purpose of this model Water Resource and Emergency Management plan is as follows:

- To conserve the available water supply in times of drought and emergency
- To maintain supplies for domestic water use, sanitation, and fire protection
- To protect and preserve public health, welfare, and safety
- To minimize the adverse impacts of water supply shortages
- To minimize the adverse impacts of emergency water supply conditions.

In the absence of drought response measures, water demands tend to increase during a drought due to increased outdoor irrigation. The severity of a drought depends on the degree of depletion of supplies and on the relationship of demand to available supplies. The NTMWD considers a drought to end when all of its supply reservoirs refill to the conservation storage pool.

¹ Superscripted numbers match references listed in Appendix A.

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2. DEFINITIONS

1. AQUATIC LIFE means a vertebrate organism dependent upon an aquatic environment to sustain its life¹.
2. ATHLETIC FIELD means a public sports competition field, the essential feature of which is turf grass, used primarily for organized sports practice, competition or exhibition events for schools, professional sports, or sanctioned league play².
3. COMMERCIAL FACILITY business or industrial buildings and the associated landscaping, but does not include the fairways, greens, or tees of a golf course³.
4. COMMERCIAL VEHICLE WASH FACILITY means a permanently-located business that washes vehicles or other mobile equipment with water or water-based products, including but not limited to self-service car washes, full service car washes, roll-over/in-bay style car washes, and facilities managing vehicle fleets or vehicle inventory⁴.
5. COOL SEASON GRASSES are varieties of turf grass that grow best in cool climates primarily in northern and central regions of the U.S. Cool season grasses include perennial and annual rye grass, Kentucky blue grass and fescues⁵.
6. CUSTOMERS include those entities to whom NTMWD provides water on a customer basis that are not members of NTMWD.
7. DESIGNATED OUTDOOR WATER USE DAY means a day prescribed by rule on which a person is permitted to irrigate outdoors⁶.

¹ Definitions from City of Austin Water Conservation and Drought Contingency Ordinance adopted August 16, 2012.
http://www.austintexas.gov/sites/default/files/files/Water/Conservation/Planning_and_Policy/ProposedCodeRevision_DRAFT_with_watering_schedule-8-15-2012.pdf

² Definition from City of San Antonio Water Conservation Ordinance adopted 2005.
http://saws.org/conservation/ordinance/docs/Ch34_Ordinance_2009.pdf

³ Definition developed by Freese and Nichols, Inc.

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8. DRIP IRRIGATION is a type of micro-irrigation system that operates at low pressure and delivers water in slow, small drips to individual plants or groups of plants through a network of plastic conduits and emitters; also called trickle irrigation.^{iv}.
9. DROUGHT, for the purposes of this report, means an extended period of time when an area receives insufficient amounts of rainfall to replenish the water supply, causing water supply sources (in this case reservoirs) to be depleted^v.
10. EVAPOTRANSPIRATION abbreviated as ET represents the amount of water lost from plant material to evaporation and transpiration. The amount of ET can be estimated based on the temperature, wind, and relative humidityⁱⁱⁱ.
11. ET/SMART CONTROLLERS are irrigation controllers that adjust their schedule and run times based on weather (ET) data. These controllers are designed to replace the amount of water lost to evapotranspirationⁱⁱⁱ.
12. EXECUTIVE DIRECTOR means the Executive Director of the North Texas Municipal Water District and includes a person the Director has designated to administer or perform any task, duty, function, role, or action related to this plan or on behalf of the Executive Directorⁱⁱⁱ.
13. FOUNDATION WATERING means an application of water to the soils directly abutting the foundation of a building structureⁱ.
14. MEMBER CITIES include the cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas.
15. NEW LANDSCAPE means vegetation: installed at the time of the construction of a residential or commercial facility; installed as part of a governmental entity's capital improvement project; installed to stabilize an area disturbed by constructionⁱ.

^{iv} Amy Vickers Handbook of Water Use and Conservation, Amherst Massachusetts, June 2002

^v Freese and Nichols, Inc.: Water Conservation and Drought Contingency and Water Emergency Response Plan, prepared for North Texas Municipal Water District, Fort Worth, March 2008.

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16. ORNAMENTAL FOUNTAIN means an artificially created structure (up to six feet in diameter) from which a jet, stream, valves and emission devices or flow of water emanates and is not typically utilized for the preservation of aquatic life'.
17. PERMANANTLY INSTALLED IRRIGATION SYSTEM means a custom-made, site-specific system of delivering water generally for landscape irrigation via a system of pipes or other conduits installed below ground'.
18. RAIN/FREEZE SENSOR means a device designed to stop the flow of water to an automatic irrigation system when rainfall or freeze event has been detected".
19. RECLAIMED WATER means reclaimed municipal wastewater that has been treated to a quality that meets or exceeds the minimum standards of the 30 Texas Administrative Code, Chapter 210 and is used for lawn irrigation, industry, or other non-potable purposes'.
20. SOAKER HOSE means a perforated or permeable garden-type hose or pipe that is laid above ground that provides irrigation at a slow and constant rate'.
21. SPRINKLER means an above-ground water distribution device that may be attached to a garden hose'.
22. SWIMMING POOL means any structure, basin, chamber, or tank including hot tubs, containing an artificial body of water for swimming, diving, or recreational bathing, and having a depth of two (2) feet or more at any point".
23. WATER RESOURCE MANAGEMENT PLAN means a strategy or combination of strategies for temporary supply management and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies required by Texas Administrative Code Title 30, Chapter 288, Subchapter B. This is sometimes called a drought contingency plan'

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3. TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES

The TCEQ rules governing development of drought contingency plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter B, Rule 288.20 of the Texas Administrative Code, a current copy of which is included in Appendix B. For the purpose of these rules, a drought contingency plan is defined as “a strategy or combination of strategies for temporary supply and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies.”¹

Minimum Requirements

TCEQ’s minimum requirements for drought contingency plans are addressed in the following subsections of this report:

- 288.20(a)(1)(A) – Provisions to Inform the Public and Provide Opportunity for Public Input – Section 4.1
- 288.20(a)(1)(B) – Provisions for Continuing Public Education and Information – Section 4.2
- 288.20(a)(1)(C) – Coordination with the Regional Water Planning Group – Section 4.6
- 288.20(a)(1)(D) – Criteria for Initiation and Termination of Water Resource Management Stages – Section 4.3
- 288.20(a)(1)(E) – Water Resource Management Stages – Section 4.3
- 288.20(a)(1)(F) – Specific, Quantified Targets for Water Use Reductions – Section 4.3
- 288.20(a)(1)(G) – Water Supply and Demand Management Measures for Each Stage – Section 4.3
- 288.20(a)(1)(H) – Procedures for Initiation and Termination of Water Resource Management Stages – Section 4.3
- 288.20(a)(1)(I) - Procedures for Granting Variances – Section 4.4
- 288.20(a)(1)(J) - Procedures for Enforcement of Mandatory Restrictions – Section 4.5
- 288.20(a)(3) – Consultation with Wholesale Supplier – Sections 1, 4.2, and 4.3
- 288.20(b) – Notification of Implementation of Mandatory Measures – Section 4.3
- 288.20(c) – Review and Update of Plan – Section 4.7

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4. WATER RESOURCE AND EMERGENCY MANAGEMENT PLAN

4.1 PROVISIONS TO INFORM THE PUBLIC AND OPPORTUNITY FOR PUBLIC INPUT

Bear Creek SUD will provide opportunity for public input in the development of this Water Resource and Emergency Management Plan by the following means:

- Providing written notice of the proposed plan and the opportunity to comment on the plan by newspaper, posted notice, and notice on the Bear Creek SUD web site.
- Making the draft plan available on the Bear Creek SUD web site.
- Providing the draft plan to anyone requesting a copy.
- Holding a public meeting.

4.2 PROVISIONS FOR CONTINUING PUBLIC EDUCATION AND INFORMATION

Bear Creek SUD will inform and educate the public about the Water Resource and Emergency Management Plan by the following means:

- Preparing a bulletin describing the plan and making it available at Bear Creek SUD office.
- Making the plan available to the public through the Bear Creek SUD web site.
- Including information about the Water Resource and Emergency Management Plan on the Bear Creek SUD web site.
- Notifying local organizations, schools, and civic groups that staff are available to make presentations on the Water Resource and Emergency Management Plan (usually in conjunction with presentations on water conservation programs).
- At any time that the Water Resource and Emergency Management Plan is activated or the Water Resource and Emergency Management Plan changes, Bear Creek SUD will notify local media of the issues, the water resource management stage (if applicable), and the specific actions required of the public. The information will also be publicized on the Bear Creek SUD web site. Billing inserts will also be used as appropriate.

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4.3 INITIATION AND TERMINATION OF WATER RESOURCE AND EMERGENCY MANAGEMENT STAGES

Initiation of a Water Resource Management Stage

The General Manager, or official designee may order the implementation of a water resource management stage when one or more of the trigger conditions for that stage is met. The following actions will be taken when a water resource management stage is initiated:

- The public will be notified through local media and the Bear Creek SUD web site as described in Section 4.2.
- Wholesale customers (if any) and the NTMWD will be notified by e-mail with a follow-up letter or fax that provides details of the reasons for initiation of the water resource management stage.
- If any mandatory provisions of the Water Resource and Emergency Management Plan are activated, Bear Creek SUD will notify the Executive Director of the TCEQ and the Executive Director of the NTMWD within 5 business days.
- Water Resource and Emergency Management Plan stages imposed by NTMWD action must be initiated by Bear Creek SUD.
- For other trigger conditions internal to the Bear Creek SUD, the General Manager, or official designee may decide not to order the implementation of a water resource management stage or water emergency even though one or more of the trigger criteria for the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, the anticipation of replenished water supplies, or the anticipation that additional facilities will become available to meet needs. The reason for this decision should be documented.

Termination of a Water Resource Management Stage

The General Manager, or official designee may order the termination of a water resource management stage when the conditions for termination are met or at

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their discretion. The following actions will be taken when a water resource management stage is terminated:

- The public will be notified through local media and the Bear Creek SUD web site as described in Section 4.2.
- Wholesale customers (if any) and the NTMWD will be notified by e-mail with a follow-up letter or fax.
- If any mandatory provisions of the Water Resource and Emergency Management plan that have been activated are terminated, Bear Creek SUD will notify the Executive Director of the TCEQ and the Executive Director of the NTMWD within 5 business days.

The General Manager, or official designee may decide not to order the termination of a water resource management stage even though the conditions for termination of the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, or the anticipation of potential changed conditions that warrant the continuation of the water resource management stage. The reason for this decision should be documented.

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Water Resource and Emergency Management Plan Stages and Measures

Stage 1

Initiation and Termination Conditions for Stage 1

- The NTMWD and Bear Creek SUD has initiated Stage 1, which may be initiated due to one or more of the following:
 - The NTMWD Executive Director, with the concurrence of the NTMWD Board of Directors, finds that conditions warrant the declaration of Stage 1.
 - Water demand is projected to approach the limit of the permitted supply.
 - The storage in Lavon Lake is less than 55 percent of the total conservation pool capacity.
 - NTMWD's storage in Jim Chapman Lake is less than 55 percent of NTMWD's total conservation pool capacity.
 - The Sabine River Authority has indicated that its Upper Basin water supplies used by NTMWD (Lake Tawakoni and/or Lake Fork) are in a Mild drought.
 - NTMWD has concern that Lake Texoma, the East Fork Raw Water Supply Project, or some other NTMWD source may be limited in availability in the next 6 months.
 - NTMWD water demand exceeds 95 percent of the amount that can be delivered to customers for three consecutive days.
 - NTMWD water demand for all or part of the delivery system equals delivery capacity because delivery capacity is inadequate.
 - NTMWD's supply source becomes contaminated.
 - Supply source is interrupted or unavailable due to invasive species.
 - NTMWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD water demand exceeds 95 percent of the amount that can be delivered to customers for three consecutive days.
- Bear Creek SUD water demand for all or part of the delivery system equals delivery capacity because delivery capacity is inadequate.

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- Bear Creek SUD source becomes contaminated.
- Bear Creek SUD water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD individual plan may be implemented if other criteria dictate.

Stage 1 may terminate when NTMWD or the Bear Creek SUD terminates its Stage 1 condition or when the circumstances that caused the initiation of Stage 1 no longer prevail.

Goal for Use Reduction and Actions Available under Stage 1

The goal for water use reduction under Stage 1 is a five percent (5%) reduction in the amount of water produced by NTMWD from the previous annual payment period prior to drought restrictions. **If circumstances warrant or if required by NTMWD, the General Manager, or official designee can set a goal for greater or lesser water use reduction.** The General Manager, or official designee may order the implementation of any or all of the actions listed below, as deemed necessary to achieve a five percent reduction. Measures described as “requires notification to TCEQ” impose mandatory requirements on customers. The Bear Creek SUD must notify TCEQ and NTMWD within five business days if these measures are implemented:

- Continue actions in the water conservation plan.
- Notify wholesale customers of actions being taken and request them to implement similar procedures.
- Initiate engineering studies to evaluate alternatives should conditions worsen.
- Further accelerate public education efforts on ways to reduce water use.
- Halt non-essential city government water use. (Examples include street cleaning, vehicle washing, operation of ornamental fountains, etc.)
- Encourage the public to wait until the current drought or emergency situation has passed before establishing new landscaping.
- All users are encouraged to reduce the frequency of draining and refilling swimming pools.

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- **Requires Notification to TCEQ** – Limit landscape watering with sprinklers or irrigation systems at each service address to no more than two days per week, Tuesday and Thursday on designated days between April 1 – October 31. Limit landscape watering with sprinklers or irrigation systems at each service address to once every week, Tuesday or Thursday on designated days between November 1 – March 31. Exceptions are as follows:
 - An exception is allowed for landscape associated with new construction that may be watered as necessary for 30 days from the installation of new landscape features.
 - An exemption is also allowed for registered and properly functioning ET/Smart irrigation systems and drip irrigation systems from the designated outdoor water use days limited to no more than two days per week. ET/Smart irrigation and drip irrigation systems are however subject to all other restrictions applicable under this stage.
 - An exception for additional watering of landscape may be provided by hand held hose with shutoff nozzle, use of dedicated irrigation drip zones, and/or soaker hose provided no runoff occurs.
 - Foundations, new landscaping, new plantings (first year) of shrubs, and trees (within a ten foot radius of its trunk) may be watered by a hand-held hose, a soaker hose, or a dedicated zone using a drip irrigation system provided no runoff occurs.
- **Requires Notification to TCEQ** - Initiate a rate surcharge for all water use over a certain level.
- **Requires Notification to TCEQ** – Landscape watering of parks, golf courses and athletic fields using potable water are required to meet the same reduction goals and measures outlined in this stage. Exception for golf course greens and tee boxes which may be hand watered as needed.

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Stage 2

Initiation and Termination Conditions for Stage 2

- The NTMWD and Bear Creek SUD has initiated Stage 2, which may be initiated due to one or more of the following:
 - The NTMWD Executive Director, with the concurrence of the NTMWD Board of Directors, finds that conditions warrant the declaration of Stage 2.
 - Water demand is projected to approach or exceed the limit of the permitted supply.
 - The storage in Lavon Lake is less than 45 percent of the total conservation pool capacity.
 - NTMWD's storage in Jim Chapman Lake is less than 45 percent of NTMWD's total conservation pool capacity.
 - The Sabine River Authority has indicated that its Upper Basin water supplies used by NTMWD (Lake Tawakoni and/or Lake Fork) are in a Moderate drought. (Measures required by SRA under a Moderate drought designation are similar to those under NTMWD's Stage 2.)
 - The supply from Lake Texoma, the East Fork Raw Water Supply Project, or some other NTMWD source has become limited in availability within the next 3 months.
 - NTMWD water demand exceeds 98 percent of the amount that can be delivered to customers for three consecutive days.
 - NTMWD water demand for all or part of the delivery system exceeds delivery capacity because delivery capacity is inadequate.
 - NTMWD's supply source becomes contaminated.
 - NTMWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD water demand exceeds 98 percent of the amount that can be delivered to customers for three consecutive days.
- Bear Creek SUD water demand for all or part of the delivery system exceeds delivery capacity because delivery capacity is inadequate.

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- Bear Creek SUD source becomes contaminated.
- Bear Creek SUD source is interrupted or unavailable due to invasive species.
- Bear Creek SUD water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD individual plan may be implemented if other criteria dictate.

Stage 2 may terminate when NTMWD and Bear Creek SUD terminates its Stage 2 condition or when the circumstances that caused the initiation of Stage 2 no longer prevail.

Goals for Use Reduction and Actions Available under Stage 2

The goal for water use reduction under Stage 2 is a reduction of ten percent (10%) in the amount of water obtained from NTMWD from the previous annual payment period prior to drought restrictions. **If circumstances warrant or if required by NTMWD, the General Manager, or official designee can set a goal for greater or lesser water use reduction.** The General Manager, or official designee may order the implementation of any or all of the actions listed below, as deemed necessary to achieve a ten percent reduction. Measures described as “requires notification to TCEQ” impose mandatory requirements on customers. The Bear Creek SUD must notify TCEQ and NTMWD within five business days if these measures are implemented:

- Continue or initiate any actions available under Stage 1.
- Notify wholesale customers of actions being taken and request them to implement similar procedures.
- Implement viable alternative water supply strategies.
- All users are encouraged to reduce the frequency of draining and refilling swimming pools.
- **Requires Notification to TCEQ** – Limit landscape watering with sprinklers or irrigation systems at each service address to once per week, Tuesday or Thursday on designated days between April 1 – October 31. Limit landscape watering with sprinklers or irrigation systems at each service address to once every other week, Tuesday or Thursday on designated days between November 1 – March 31. Exceptions are as follows:

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- New construction may be watered as necessary for 30 days from the date of the installation of new landscape features. .
 - Foundations, new plantings (first year) of shrubs, and trees (within a ten foot radius of its trunk) may be watered for up to two hours on any day by a hand-held hose, a dedicated zone using a drip irrigation system and/or soaker hose provided no runoff occurs.
 - Public athletic fields used for competition may be watered twice per week.
 - Locations using alternative sources of water supply only for irrigation may irrigate without day of the week restrictions provided proper signage is employed. However, irrigation using alternative sources of supply is subject all other restrictions applicable to this stage. If the alternative supply source is a well, proper proof of well registration with the North Texas Groundwater Conservation District or Red River Ground Water Conservation District is required. Other sources of water supply may not include imported treated water.
 - An exemption is allowed for registered and properly functioning ET/Smart irrigation systems and drip irrigation systems from the designated outdoor water use day limited to no more than one day per week. ET/Smart irrigation and drip irrigation systems are however subject to all other restrictions applicable under this stage.
 - Hand watering with shutoff nozzle, drip lines, and soaker hoses is allowed before 10am and after 6 pm provided no runoff occurs.
- **Requires Notification to TCEQ** – Prohibit hydro seeding, hydro mulching, and sprigging.
 - **Requires Notification to TCEQ** - Initiate a rate surcharge as requested by NTMWD.
 - **Requires Notification to TCEQ** - Initiate a rate surcharge for all water use over a certain level.
 - **Requires Notification to TCEQ** – If NTMWD has imposed a reduction in water available to Member Cities and Customers, impose the same percent reduction on wholesale customers.
 - **Requires Notification to TCEQ** – Landscape watering of parks and golf courses using potable water are required to meet the same reduction goals and measures outlined in this stage. Exception for golf course greens and tee boxes which may be hand watered as needed.

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Stage 3

Initiation and Termination Conditions for Stage 3

- The NTMWD and Bear Creek SUD has initiated Stage 3, which may be initiated due to one or more of the following:
 - The NTMWD Executive Director, with the concurrence of the NTMWD Board of Directors, finds that conditions warrant the declaration of Stage 3.
 - Water demand is projected to approach or exceed the limit of the permitted supply.
 - The storage in Lavon Lake is less than 35 percent of the total conservation pool capacity.
 - NTMWD's storage in Jim Chapman Lake is less than 35 percent of NTMWD's total conservation pool capacity.
 - The Sabine River Authority has indicated that its Upper Basin water supplies used by NTMWD (Lake Tawakoni and/or Lake Fork) are in a Severe drought or Emergency.
 - The supply from Lake Texoma, the East Fork Raw Water Supply Project, or some other NTMWD source has become severely limited in availability.
 - NTMWD water demand exceeds the amount that can be delivered to customers.
 - NTMWD water demand for all or part of the delivery system seriously exceeds delivery capacity because the delivery capacity is inadequate.
 - NTMWD's supply source becomes contaminated.
 - NTMWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD water demand exceeds the amount that can be delivered to customers.
- Bear Creek SUD water demand for all or part of the delivery system seriously exceeds delivery capacity because the delivery capacity is inadequate.
- Bear Creek SUD source becomes contaminated.
- Bear Creek SUD water supply system is unable to deliver water due to the failure or damage of major water system components.
- Bear Creek SUD individual plan may be implemented if other criteria dictate.

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- Stage 3 may terminate when NTMWD terminates its Stage 3 condition or when the circumstances that caused the initiation of Stage 3 no longer prevail.

Goals for Use Reduction and Actions Available under Stage 3

The goal for water use reduction under Stage 3 is a reduction of whatever amount is necessary in the amount of water obtained from NTMWD from the previous annual payment period prior to drought restrictions. **If circumstances warrant or if required by NTMWD, the General Manager, or official designee can set a goal for greater or lesser water use reduction.**

The General Manager, or official designee may order the implementation of any or all of the actions listed below, as deemed necessary. Measures described as “requires notification to TCEQ” impose mandatory requirements on member cities and customers. The Bear Creek SUD must notify TCEQ and NTMWD within five business days if these measures are implemented.

- Continue or initiate any actions available under Stages 1, and 2.
- Notify wholesale customers of actions being taken and request them to implement similar procedures.
- Implement viable alternative water supply strategies.
- **Requires Notification to TCEQ** – Initiate mandatory water use restrictions as follows:
 - Hosing and washing of paved areas, buildings, structures, windows or other surfaces is prohibited except by variance and performed by a professional service using high efficiency equipment.
 - Prohibit operation of ornamental fountains or ponds that use potable water except where supporting aquatic life or water quality.
- **Requires Notification to TCEQ** – Prohibit new sod, hydro seeding, hydro mulching, and sprigging.
- **Requires Notification to TCEQ** – Prohibit the use of potable water for the irrigation of new landscaping.
- **Requires Notification to TCEQ** – Prohibit all commercial and residential landscape watering, except that foundations and trees (within a ten foot radius of its trunk) may be watered for

Exhibit CR-6

two hours one day per week with a hand-held hose, a dedicated zone using a drip irrigation system and/or soaker hose provided no runoff occurs. ET/Smart irrigation systems and drip irrigation systems are not exempt from this requirement.

- **Requires Notification to TCEQ** – Prohibit washing of vehicles except at commercial vehicle wash facilities.
- **Requires Notification to TCEQ** – Landscape watering of parks, golf courses, and athletic fields with potable water is prohibited. Exception for golf course greens and tee boxes which may be hand watered as needed. Variances may be granted by the water provider under special circumstances.
- **Requires Notification to TCEQ** – Prohibit the filling, draining and refilling of existing swimming pools, wading pools, Jacuzzi and hot tubs except to maintain structural integrity, proper operation and maintenance or to alleviate a public safety risk. Existing pools may add water to replace losses from normal use and evaporation. Permitting of new swimming pools, wading pools, Jacuzzi and hot tubs is prohibited.
- **Requires Notification to TCEQ** – Prohibit the operation of interactive water features such as water sprays, dancing water jets, waterfalls, dumping buckets, shooting water cannons, or splash pads that are maintained for public recreation.
- **Requires Notification to TCEQ** – Require all commercial water users to reduce water use by a percentage established by the General Manager, or official designee.
- **Requires Notification to TCEQ** – If NTMWD has imposed a reduction in water available to Member Cities and Customers, impose the same percent reduction on wholesale customers.
- **Requires Notification to TCEQ** - Initiate a rate surcharge for all water use over normal rates for all water use.

4.4 PROCEDURES FOR GRANTING VARIANCES TO THE PLAN

The General Manager, or official designee may grant temporary variances for existing water uses otherwise prohibited under this Water Resource and Emergency Management Plan if one or more of the following conditions are met:

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- Failure to grant such a variance would cause an emergency condition adversely affecting health, sanitation, or fire safety for the public or the person or entity requesting the variance.
- Compliance with this plan cannot be accomplished due to technical or other limitations.
- Alternative methods that achieve the same level of reduction in water use can be implemented.
- Variances shall be granted or denied at the discretion of the General Manager, or official designee. All petitions for variances should be in writing and should include the following information:
 - Name and address of the petitioners
 - Purpose of water use
 - Specific provisions from which relief is requested
 - Detailed statement of the adverse effect of the provision from which relief is requested
 - Description of the relief requested
 - Period of time for which the variance is sought
 - Alternative measures that will be taken to reduce water use
 - Other pertinent information.

4.5 PROCEDURES FOR ENFORCING MANDATORY WATER USE RESTRICTIONS

Mandatory water use restrictions may be imposed in Stage 1, Stage 2 and Stage 3 Water Resource and Emergency Management Plan stages. The penalties associated with the mandatory water use restrictions will be determined by each entity.

Appendix D contains potential ordinances, resolutions, and orders that may be adopted by the Board of Directors approving the Water Resource and Emergency Management plan and water response plan, including enforcement of same.

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4.6 COORDINATION WITH THE REGIONAL WATER PLANNING GROUP AND NTMWD

Appendix C includes a copy of a letter sent to the Chairs of the Region C Water Planning Group and the North East Texas Water Planning Group with this model Water Resource and Emergency Management plan.

The Bear Creek SUD will send a copy of the Minutes of the Board Meeting implementing this plan to NTMWD for their review and comment. The Bear Creek SUD will also send the final Minutes to NTMWD.

4.7 REVIEW AND UPDATE OF WATER RESOURCE AND EMERGENCY MANAGEMENT PLAN

As required by TCEQ rules, Member Cities and Customers must review the Water Resource and Emergency Management plan every five years. The plan will be updated as appropriate based on new or updated information.

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APPENDIX A LIST OF REFERENCES

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APPENDIX A

LIST OF REFERENCES

1. Title 30 of the Texas Administrative Code, Part 1, Chapter 288, Subchapter B, Rules 288.20 and 288.22, downloaded from
[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac_view=4&ti=30&pt=1&ch=288](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=4&ti=30&pt=1&ch=288), June 2013
2. Freese and Nichols, Inc.: Model Water Resource Management Plan for NTMWD Members Cities and Customers, prepared for the North Texas Municipal Water District, Fort Worth, February 2014.
3. Definitions from City of Austin Water Conservation and Drought Contingency Ordinance adopted August 16, 2012.
http://www.austintexas.gov/sites/default/files/files/Water/Conservation/Planning_and_Policy/ProposedCodeRevision_DRAFT_with_watering_schedule-8-15-2012.pdf
4. Definition from City of San Antonio Water Conservation Ordinance adopted 2005.
http://saws.org/conservation/ordinance/docs/Ch34_Ordinance_2009.pdf
5. Amy Vickers: Handbook of Water Use and Conservation, Amherst Massachusetts, June 2002
6. Definition developed by Freese and Nichols, Inc.
7. Freese and Nichols, Inc.: Water Conservation and Drought Contingency and Water Emergency Response Plan, prepared for North Texas Municipal Water District, Fort Worth, March 2008.
8. Texas Water Development Board, Texas Commission on Environmental Quality, Water Conservation Advisory Council. "DRAFT Guidance and Methodology for Water Conservation Reporting."
9. Freese and Nichols, Inc., Alan Plummer and Associates, CP & Y Inc., and Cooksey Communications, "2011 Region C Water Plan".

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APPENDIX B

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES ON DROUGHT CONTINGENCY PLANS

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APPENDIX B

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES ON DROUGHT CONTINGENCY PLANS

<u>TITLE 30</u>	ENVIRONMENTAL QUALITY
<u>PART 1</u>	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
<u>CHAPTER 288</u>	WATER CONSERVATION PLANS, DROUGHT CONTINGENCY PLANS, GUIDELINES AND REQUIREMENTS
<u>SUBCHAPTER B</u>	DROUGHT CONTINGENCY PLANS
RULE §288.20	Drought Contingency Plans for Municipal Uses by Public WaterSuppliers

(a) A drought contingency plan for a retail public water supplier, where applicable, must include the following minimum elements.

(1) Minimum requirements. Drought contingency plans must include the following minimum elements.

(A) Preparation of the plan shall include provisions to actively inform the public and affirmatively provide opportunity for public input. Such acts may include, but are not limited to, having a public meeting at a time and location convenient to the public and providing written notice to the public concerning the proposed plan and meeting.

(B) Provisions shall be made for a program of continuing public education and information regarding the drought contingency plan.

(C) The drought contingency plan must document coordination with the regional water planning groups for the service area of the retail public water supplier to ensure consistency with the appropriate approved regional water plans.

(D) The drought contingency plan must include a description of the information to be monitored by the water supplier, and specific criteria for the initiation and termination of drought response stages,

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accompanied by an explanation of the rationale or basis for such triggering criteria.

(E) The drought contingency plan must include drought or emergency response stages providing for the implementation of measures in response to at least the following situations:

- (i) reduction in available water supply up to a repeat of the drought of record;
- (ii) water production or distribution system limitations;
- (iii) supply source contamination; or
- (iv) system outage due to the failure or damage of major water system components (e.g., pumps).

(F) The drought contingency plan must include specific, quantified targets for water use reductions to be achieved during periods of water shortage and drought. The entity preparing the plan shall establish the targets. The goals established by the entity under this subparagraph are not enforceable.

(G) The drought contingency plan must include the specific water supply or water demand management measures to be implemented during each stage of the plan including, but not limited to, the following:

- (i) curtailment of non-essential water uses; and
- (ii) utilization of alternative water sources and/or alternative delivery mechanisms with the prior approval of the executive director as appropriate (e.g., interconnection with another water system, temporary use of a non-municipal water supply, use of reclaimed water for non-potable purposes, etc.).

(H) The drought contingency plan must include the procedures to be followed for the initiation or termination of each drought response stage, including procedures for notification of the public.

(I) The drought contingency plan must include procedures for granting variances to the plan.

(J) The drought contingency plan must include procedures for the enforcement of mandatory water use restrictions, including specification of penalties (e.g., fines, water rate surcharges, discontinuation of service) for violations of such restrictions.

(2) Privately-owned water utilities. Privately-owned water utilities shall prepare a drought contingency plan in accordance with this section and incorporate such plan into their tariff.

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(3) Wholesale water customers. Any water supplier that receives all or a portion of its water supply from another water supplier shall consult with that supplier and shall include in the drought contingency plan appropriate provisions for responding to reductions in that water supply.

(b) A wholesale or retail water supplier shall notify the executive director within five business days of the implementation of any mandatory provisions of the drought contingency plan.

(c) The retail public water supplier shall review and update, as appropriate, the drought contingency plan, at least every five years, based on new or updated information, such as the adoption or revision of the regional water plan.

Source Note: The provisions of this §288.20 adopted to be effective February 21, 1999, 24 TexReg 949; amended to be effective April 27, 2000, 25 TexReg 3544; amended to be effective October 7, 2004, 29 TexReg 9384

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<u>TITLE 30</u>	ENVIRONMENTAL QUALITY
<u>PART 1</u>	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
<u>CHAPTER 288</u>	WATER CONSERVATION PLANS, DROUGHT CONTINGENCY PLANS, GUIDELINES AND REQUIREMENTS
<u>SUBCHAPTER B</u>	DROUGHT CONTINGENCY PLANS
RULE §288.22	Drought Contingency Plans for Wholesale Water Suppliers

(a) A drought contingency plan for a wholesale water supplier must include the following minimum elements.

(1) Preparation of the plan shall include provisions to actively inform the public and to affirmatively provide opportunity for user input in the preparation of the plan and for informing wholesale customers about the plan. Such acts may include, but are not limited to, having a public meeting at a time and location convenient to the public and providing written notice to the public concerning the proposed plan and meeting.

(2) The drought contingency plan must document coordination with the regional water planning groups for the service area of the wholesale public water supplier to ensure consistency with the appropriate approved regional water plans.

(3) The drought contingency plan must include a description of the information to be monitored by the water supplier and specific criteria for the initiation and termination of drought response stages, accompanied by an explanation of the rationale or basis for such triggering criteria.

(4) The drought contingency plan must include a minimum of three drought or emergency response stages providing for the implementation of measures in response to water supply conditions during a repeat of the drought-of-record.

(5) The drought contingency plan must include the procedures to be followed for the initiation or termination of drought response stages, including procedures for notification of wholesale customers regarding the initiation or termination of drought response stages.

(6) The drought contingency plan must include specific, quantified targets for water use

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reductions to be achieved during periods of water shortage and drought. The entity preparing the plan shall establish the targets. The goals established by the entity under this paragraph are not enforceable.

(7) The drought contingency plan must include the specific water supply or water demand management measures to be implemented during each stage of the plan including, but not limited to, the following:

(A) pro rata curtailment of water deliveries to or diversions by wholesale water customers as provided in Texas Water Code, §11.039; and

(B) utilization of alternative water sources with the prior approval of the executive director as appropriate (e.g., interconnection with another water system, temporary use of a non-municipal water supply, use of reclaimed water for non-potable purposes, etc.).

(8) The drought contingency plan must include a provision in every wholesale water contract entered into or renewed after adoption of the plan, including contract extensions, that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code, §11.039.

(9) The drought contingency plan must include procedures for granting variances to the plan.

(10) The drought contingency plan must include procedures for the enforcement of any mandatory water use restrictions including specification of penalties (e.g., liquidated damages, water rate surcharges, discontinuation of service) for violations of such restrictions.

(b) The wholesale public water supplier shall notify the executive director within five business days of the implementation of any mandatory provisions of the drought contingency plan.

(c) The wholesale public water supplier shall review and update, as appropriate, the drought contingency plan, at least every five years, based on new or updated information, such as adoption or revision of the regional water plan.

Source Note: The provisions of this §288.22 adopted to be effective February 21, 1999, 24 TexReg 949; amended to be effective April 27, 2000, 25 TexReg 3544; amended to be effective October 7, 2004, 29 TexReg 9384

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APPENDIX C

LETTERS TO REGION C AND REGION D WATER PLANNING GROUPS

Exhibit CR-6

Bear Creek Special Utility District

Telephone 972-843-2101 • P.O. Box 188
Lavon, Texas 75166

Region C Water Planning Group
North Texas Municipal Water District
P.O. Box 2408
Wylie, TX 75098

Dear Sir:

Enclosed please find a copy of the recently updated Drought Contingency and Water Emergency Response Plan for the Bear Creek Special Utility District. I am submitting a copy of this model plan to the Region C Water Planning Group in accordance with the Texas Water Development Board and Texas Commission on Environmental Quality rules. The Board of the Bear Creek Special Utility District adopted the updated model plan on May 12, 2015.

Sincerely,

Camille Reagan, General Manager
Bear Creek Special Utility District

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Bear Creek Special Utility District

Telephone 972-843-2101 • P.O. Box 188
Lavon, Texas 75166

Mr. Jim Thompson
Chair, Region D Water Planning Group
P.O. Box 1107
Atlanta, TX 75551

Dear Mr. Thompson:

Enclosed please find a copy of the recently updated Drought Contingency and Water Emergency Response Plan for the Bear Creek Special Utility District. I am submitting a copy of this model plan to the Region D Water Planning Group in accordance with the Texas Water Development Board and Texas Commission on Environmental Quality rules. The Board of the Bear Creek Special Utility District adopted the updated model plan on May 12, 2015.

Sincerely,

Camille Reagan, General Manager
Bear Creek Special Utility District

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APPENDIX D

BEAR CREEK SUD BOARD MINUTES SHOWING ADOPTION OF THE WATER CONSERVATION AND WATER RESOURCE AND EMERGENCY MANGEMENT PLAN

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SECTION I.

IDENTITY THEFT PREVENTION PROGRAM

Bear Creek Special Utility District

**Identity Theft
Prevention Program**

Exhibit CR-6

Identity Theft Prevention Program
For
Bear Creek Special Utility District
16881 C.R. 541
Lavon, Texas, 75166
June 9, 2015

BCSUD Identity Theft Prevention Program

This Program is intended to identify red flags that will alert our employees when new or existing accounts are opened using false information, protect against the establishment of false accounts, methods to ensure existing accounts were not opened using false information, and measures to respond to such events.

Contact Information:

The Senior Management Person responsible for this program is:

Name: Camille Reagan

Title: General Manager

Phone number: 972-843-2101

The Governing Body Members of the Utility are:

Board Members

1. Herman Stork - President
2. Bryan Block - Vice President
3. Robert Haynes - Treasurer
4. Leticia Harrison - Secretary
5. Chris Elder - Board Member
6. David Hawkins - Board Member
7. Kevin Hutchinson - Board Member

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Risk Assessment

The Bear Creek Special Utility District has conducted an internal risk assessment to evaluate how at risk the current procedures are at allowing customers to create a fraudulent account and evaluate if current (existing) accounts are being manipulated. This risk assessment evaluated how new accounts were opened and the methods used to access the account information. Using this information the utility was able to identify red flags that were appropriate to prevent identity theft.

- X New accounts must be opened In Person
 - X Account information accessed by authorized personnel only.
-

Detection (Red Flags):

The BCSUD adopts the following red flags to detect potential fraud. These are not intended to be all-inclusive and other suspicious activity may be investigated as necessary.

- ☐ Fraud or active duty alerts included with consumer reports
 - ☐ Inconsistent activity patterns indicated by consumer report such as:
 - Recent and significant increase in volume of inquiries
 - Accounts closed for cause or abuse
 - ☐ Identification documents appear to be altered
 - ☐ Photo and physical description do not match appearance of applicant
 - ☐ Other information is inconsistent with information provided by applicant
 - ☐ Other information provided by applicant is inconsistent with information on file.
 - ☐ Application appears altered or destroyed and reassembled
 - ☐ Information provided is associated with known fraudulent activity (e.g. address or phone number provided is same as that of a fraudulent application)
 - ☐ Information commonly associated with fraudulent activity is provided by applicant (e.g. address that is a mail drop or prison, non-working phone number or associated with answering service/pager)
 - ☐ Customer fails to provide all information requested
 - ☐ Personal information provided is inconsistent with information on file for a customer
 - ☐ Applicant cannot provide information requested beyond what could commonly be found in a purse or wallet
 - ☐ Identity theft is reported or discovered
-

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Response

Any employee that may suspect fraud or detect a red flag will implement the following response as applicable. All detections or suspicious red flags shall be reported to the senior management official.

- ☐ Ask applicant for additional documentation
- ☐ Notify internal manager: Any utility employee who becomes aware of a suspected or actual fraudulent use of a customer or potential customers identity must notify General Manager.
- ☐ Notify law enforcement: The utility will notify Collin County Sheriff's Office at 972-547-5100 or metro 972-424-4797 of any attempted or actual identity theft.
- ☐ Do not open the account
- ☐ Do not attempt to collect against the account but notify authorities

Personal Information Security Procedures:

The Bear Creek Special Utility District adopts the following security procedures (select appropriate procedures from Appendix A and add other procedures as appropriate).

1. Paper documents, files, and electronic media containing secure information will be stored in locked file cabinets.
2. Only specially identified employees with a legitimate need will have keys to the cabinets.
3. Files containing personally identifiable information are kept in locked file cabinets except when an employee is working on the file.
4. Employees will replace files when leaving their work areas.
5. Employees log off their computers when leaving their work areas.
6. Employees lock file cabinets when leaving their work areas.
7. No visitor will be given any entry codes or allowed unescorted access to the office.
8. Access to sensitive information will be controlled using passwords with a mix of letters and numbers.
9. All computers with internet connection will have firewall protection, anti-virus, anti-spyware protection.
10. Maintain log of any suspect security breach and follow-up information.
11. Check references or do back ground checks before hiring employees with access to sensitive information.
12. Access to customer's personal identify information is limited to employees with a "need to know."

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13. Procedures exist for making sure employees that leave your employ no longer have access to sensitive information, “change passwords, collect keys and perform exit interview with employee”.

14. Employees are trained in what information can and cannot be given out.

15. Employees are required to inform the general manager when there is a actual or presumed breach of security.

16. Paper records will be shredded before being placed into the trash.

17. Employees who violate the security policy are subject to discipline, up to and including dismissal.

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Identity Theft Prevention Program Review and Approval

This plan has been reviewed and adopted by the Bear Creek Special Utility District Board of Directors. Appropriate employees have been trained on the contents and procedures of this Identity Theft Prevention Program.

Signatures:

1. _____ Date _____
2. _____ Date _____
3. _____ Date _____
4. _____ Date _____
5. _____ Date _____
6. _____ Date _____
7. _____ Date _____

Name of Senior Management Staff Person: _____

Position: _____

Date: _____

Signature: _____

A report will be prepared annually and submitted to the above named senior management or governing body to include matter related to the program, the effectiveness of the policies and procedures, the oversight and effectiveness of any third party billing and account establishment entities, a summary of any identify theft incidents and the response to the incident, and recommendations for substantial changes to the program, if any.

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Appendix A

Other Security Procedures

1. Paper documents, files, and electronic media containing secure information will be stored in locked file cabinets. File cabinets will be stored in a locked room.
2. Only specially identified employees with a legitimate need will have keys to the room and cabinet.
3. Files containing personally identifiable information are kept in locked file cabinets except when an employee is working on the file.
4. Employees will not leave sensitive papers out on their desks when they are away from their workstations.
5. Employees store files when leaving their work areas
6. Employees log off their computers when leaving their work areas
7. Employees lock file cabinets when leaving their work areas
8. Employees lock file room doors when leaving their work areas
9. Access to offsite storage facilities is limited to employees with a legitimate business need.
10. Any sensitive information shipped using outside carriers or contractors will be encrypted
11. Any sensitive information shipped will be shipped using a shipping service that allows tracking of the delivery of this information.
12. Visitors who must enter areas where sensitive files are kept must be escorted by an employee of the utility.
13. No visitor will be given any entry codes or allowed unescorted access to the office.
14. Access to sensitive information will be controlled using “strong” passwords. Employees will choose passwords with a mix of letters, numbers, and characters. User names and passwords will be different. Passwords will be changed at least monthly.
15. Passwords will not be shared or posted near workstations.
16. Password-activated screen savers will be used to lock employee computers after a period of inactivity.
17. When installing new software, immediately change vendor-supplied default passwords to a more secure strong password.
18. Sensitive consumer data will not be stored on any computer with an Internet connection
19. Sensitive information that is sent to third parties over public networks will be encrypted

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20. Sensitive information that is stored on computer network or portable storage devices used by your employees will be encrypted.
21. Email transmissions within your business will be encrypted if they contain personally identifying information.
22. Anti-virus and anti-spyware programs will be run on individual computers and on servers daily.
23. When sensitive data is received or transmitted, secure connections will be used
24. Computer passwords will be required.
25. User names and passwords will be different.
26. Passwords will be changed at least monthly.
27. Passwords will not be shared or posted near workstations.
28. Password-activated screen savers will be used to lock employee computers after a period of inactivity.
29. When installing new software, vendor-supplied default passwords are changed.
30. The use of laptops is restricted to those employees who need them to perform their jobs.
31. Laptops are stored in a secure place.
32. Laptop users will not store sensitive information on their laptops.
33. Laptops which contain sensitive data will be encrypted
34. Employees never leave a laptop visible in a car, at a hotel luggage stand, or packed in checked luggage.
35. If a laptop must be left in a vehicle, it is locked in a trunk.
36. The computer network will have a firewall where the network connects to the Internet.
37. Any wireless network in use is secured.
38. Maintain central log files of security-related information to monitor activity on your network.
39. Monitor incoming traffic for signs of a data breach.
40. Monitor outgoing traffic for signs of a data breach.
41. Check references or do background checks before hiring employees who will have access to sensitive data.
42. New employees sign an agreement to follow your company's confidentiality and security standards for handling sensitive data.

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43. Access to customer's personal identify information is limited to employees with a "need to know."
44. Procedures exist for making sure that workers who leave your employ or transfer to another part of the company no longer have access to sensitive information.
45. Implement a regular schedule of employee training.
46. Employees will be alert to attempts at phone phishing.
47. Employees are required to notify the general manager immediately if there is a potential security breach, such as a lost or stolen laptop.
48. Employees who violate security policy are subjected to discipline, up to, and including, dismissal.
49. Service providers notify you of any security incidents they experience, even if the incidents may not have led to an actual compromise of our data.
50. Paper records will be shredded before being placed into the trash.
51. Paper shredders will be available in the office, next to the photocopier.
52. Any data storage media will be disposed of by shredding, punching holes in, or incineration.

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Each type of record is listed with the length of time held. When the designated length of time is reached, paper documents are shredded onsite by a Contractor, who is certified by the National Association for Information Destruction (NAID) for mobile destruction.

Records Retention Schedule	
Type of Record	Retention (Years)
Accounts Payable	5
Bank Statements	5
Authorizations for Expenditures	5
Inventory and Cost Records	5
Payroll and related Records	5
Personnel Records	5
Purchasing Records	5
Contracts and Agreements	20
Legal Records	20
Audited Financial Statements (Audit Report, Annual Financial Report, and Financial Dormancy Affidavit)	Permanent
Specifications, Installation Instructions, etc. (Pertaining to permanent structures)	Permanent
Deeds and Easements	Permanent
Minutes of Board of Directors' Meetings and Resolutions	Permanent
Operator's Reports	Permanent
Orders and Resolution Files (except Rate Orders)	Permanent
Rate Order File	Permanent

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BUDGET 2018

BUDGET 2018					
ACC #	OPERATIONS FUNDS	APPR	JANUARY	YTD TOTAL	Balance of F/Y App
	5010 <u>NTMWD WATER PURCHASES</u>	<u>\$684,000.00</u>			
	EMPLOYEE				
	5013 <u>EMPLOYEE SALARIES</u>	<u>\$420,000.00</u>			
	5032 <u>EMPLOYEE DRUG TESTING</u>	<u>\$800.00</u>			
	5041 <u>TEMP HELP SALARY</u>	<u>\$10,000.00</u>			
	5116 <u>INSURANCE - HEALTH</u>	<u>\$140,000.00</u>			
	5112 <u>TWC</u>	<u>\$10,000.00</u>			
	5012 <u>IRA CONTRIBUTION</u>	<u>\$18,000.00</u>			
	5049 <u>UNIFORMS</u>	<u>\$4,000.00</u>			
31/44/95	<u>TRAINING/TRAVEL</u>	<u>\$18,000.00</u>			
	5032 <u>SAFETY EQUIPMENT</u>	<u>\$6,000.00</u>			
	5020 <u>MILEAGE REIMBURSEMENT</u>	<u>\$2,500.00</u>			
	5136 <u>FINANCIAL AUDIT</u>	<u>\$9,500.00</u>			
	5120 <u>ENGINEERING SERVICES</u>	<u>\$200,000.00</u>			
	<u>Engineering-PS1</u>				
	5135 <u>LEGAL SERVICES</u>	<u>\$80,000.00</u>			
	<u>Legal-Rate Appeal</u>				
	<u>Legal-PS1</u>				
	5117 <u>LAWN MAINTENANCE</u>	<u>\$1,500.00</u>			
	5567 <u>INSPECTIONS/CSI/PROJECT</u>	<u>\$5,000.00</u>			
	5581 <u>PEST CONTROL</u>	<u>\$800.00</u>			
	5040 <u>PHONE SERVICE</u>	<u>\$11,000.00</u>			
	5035 <u>TRASH PICK-UP</u>	<u>\$1,500.00</u>			
	5030 <u>ELECTRICITY</u>	<u>\$58,000.00</u>			
5045/46	<u>EQUIPMENT/BLDG. REPAIRS</u>	<u>\$30,000.00</u>			
	5567 <u>TANK INSPECTIONS/CLEANING</u>	<u>\$15,000.00</u>			
	5051 <u>SCADA SYSTEM UPGRADE/</u>	<u>\$30,000.00</u>			
	<u>CONTRACT</u>				
		-			
	<u>SUB TOTAL</u>	<u>\$1,755,600.00</u>	<u>\$0.00</u>		<u>\$0.00</u>

Exhibit CR-7

ACC #	OPERATIONS FUNDS	APPRO	JANUARY	YTD TOTAL	Balance of F/Y App
	VEHICLE EXPENSES				
5055	<u>VEHICLE FUEL</u>	<u>\$7,000.00</u>			
5088	<u>VEHICLE SERVICE</u>	<u>\$5,000.00</u>			
	-	-			
	-	-			
ACC#	NEW EQUIPMENT/TOOLS				
5042	<u>TOOLS</u>	<u>\$1,000.00</u>			
5050	<u>CHLORINE TEST SUPPLIES</u>	<u>\$10,000.00</u>			
5042	<u>Replacement colorimeters</u>	<u>\$5,000.00</u>			
5047	<u>Computer repairs/Upgrades</u>	<u>\$5,000.00</u>			
5176	<u>Computer Software</u>	<u>\$6,000.00</u>			
	SYSTEM MAINTENANCE REPAIRS				
ACC #					
5050	<u>MATERIAL COST</u>	<u>\$100,000.00</u>			
5052	<u>EQUIP. CHARGES(rentals)</u>	<u>\$10,000.00</u>			
5566	<u>CONTRACTED LABOR</u>	<u>\$10,000.00</u>			
5053	<u>System Expense/Expansion</u>	<u>\$20,000.00</u>			
	-	-			
ACC#	MANDATORY EXPENSES				
5065	<u>STATE REQUIRED TESTING</u>	<u>\$10,000.00</u>			
	SUB TOTAL	\$189,000.00	\$0.00		\$0.00

Exhibit CR-7

ACC#	OPERATIONS FUNDS	APPRO	JANUARY	YTD TOTAL	Balance of F/Y App
5582	<u>OFFICE EXPENSES (security)</u>	<u>\$4,000.00</u>			
5090/91	<u>OFFICE OPERATING EXPENSES</u>	<u>\$30,000.00</u>			
5201	<u>POSTAGE & DELIVERY</u>	<u>\$20,000.00</u>			
5160	<u>ADVERTISEMENTS</u>	<u>\$3,500.00</u>			
5150	<u>DUES / SUBSCRIPTIONS</u>	<u>\$18,000.00</u>			
5151	<u>LICENSES / PERMITS</u>	<u>\$6,200.00</u>			
5113	<u>Commercial Ins.</u>	<u>\$36,000.00</u>			
5176	<u>BILLING & 3G MAINT CONTRACT</u>	<u>\$7,000.00</u>			
2115	<u>WORLD LAND DEVELOPERS</u>	<u>\$100,000.00</u>			
2180	<u>Independent Bank</u>	<u>\$140,000.00</u>			
2130	<u>STATE ASSESSMENT FEE</u>	<u>\$8,000.00</u>			
5565	<u>SUD Directors Comp.</u>	<u>\$8,000.00</u>			
ACC#		-			
5070	<u>Interest Expense/</u>	<u>\$12,000.00</u>			
5062	<u>Returned Check</u>				
	SUB TOTAL	\$392,700.00			
	TOTAL OPERATING BUDGET	\$2,337,300.00	\$0.00		\$0.00

Exhibit CR-7

STATEMENT OF EXPENDITURES BY ACCOUNT

[illegible]



Exhibit CR-8

BEAR CREEK SUD

Telephone 1-972-843-2101 • P.O. Box 188
Lavon, Texas 75166

Date: December 12, 2017 **Time:** 7:00PM

MINUTES OF REGULAR BOARD MEETING

Call to order by: President Herman Stork

Directors Present: Herman Stork, Bryan Block, Jeff Bialecki, Leticia Harrison, Robert Haynes, Kevin Hutchinson

Directors Absent: Chris Elder

Public Comment: None

Consent Items:

Approval of Minutes of Regular Meeting on November 14, 2017.
Approval of November 2017 Financials.
Approval of November 2017 General Manager Report.

*Motion made by Director B. Block, seconded by Director R. Haynes to approve Consent Items.
Motion carried unanimously.*

Staff Report:

Legal update by James W. Wilson: *Attorney James Wilson had nothing to report*

Regular Agenda Items:

- A Discuss progress of Pump Station 1 relocation: North Texas Municipal Water District (NTMWD) has not approved the plans for the new pump station. Attorney James Wilson will file the loan verification paperwork on December 13, 2017.*
- B Discuss Cross-Connection Control Program procedures The Bear Creek SUD procedure for complying with the State of Texas requirement for cross-connection is to notify the customer annually when their inspection is due and for the customer to hire an inspector to perform the inspection. The customer is responsible for payment to the inspector and the inspector is responsible for filing the report with Bear Creek SUD. Bear Creek SUD has approximately 1,100 customers that require annual inspections. With the number of customers requiring inspections increasing every year, there is a need to change the*

Exhibit CR-8

procedure to something more manageable. A bid notice will be published for a request for proposal for backflow inspections for all customers within the Bear Creek SUD CCN. The notice will have specifications that the individual must be a licensed backflow inspector with capability to inspect domestic fire protection systems and backflow devices in confined spaces for approximately 1,100 customers at the present time with the prediction of growth expected for the next year. The proposal will be for a one year period.

- C. Discuss and act to Adopt 2018 Budget: *All board members reviewed the proposed 2018 budget prior to the meeting. The upgraded phone system would have more capabilities such as Caller ID, automated voice mail and recording. The retention period will be identified in the Record Retention Plan.*

Motion made by Director K. Hutchinson, seconded by Director R. Haynes to accept the 2018 budget as presented. Motion carried unanimously.

Adjournment to Executive Session:

Motion made by Director R. Haynes, seconded by Director B. Block to adjourn to Executive Session at 8:02PM. Motion carried unanimously.

Executive Session:

Executive Session Call to Order at 8:10PM.

Executive Session Agenda Items:

- (A) The Board may recess into closed or executive session to discuss the following:
 - (1) Government Code §551.071. Consultation with Attorney: Discuss status of the Rate Payers' Appeal filed with the Public Utility Commission.
 - (2) Government Code §551.074. Personnel Matters
- (B) Reconvene into Regular Session and take any action necessary as a result of the Executive Session.

Adjournment from Executive Session at 8:25 PM:

Regular Session Call to Order at 8:26PM.

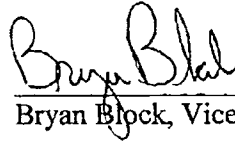
Motion made by Director R. Haynes, seconded by Director K. Hutchinson to approve the General Manager's Performance Appraisal. Motion carried unanimously.

Exhibit CR-8

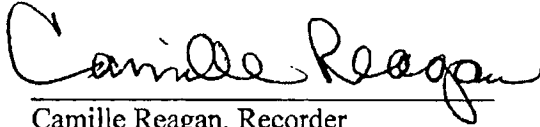
Adjournment at 8:45PM:



Herman Stork, President



Bryan Block, Vice President



Camille Reagan, Recorder

Exhibit CR-9

BUDGET SEPTEMBER 2018 (AMENDED 09/11/18)

ACC #	OPERATIONS FUNDS	APPR	SEPTEMBER	YTD TOTAL	Balance of F/Y App
5010	<u>NTMWD WATER PURCHASES</u>	\$684,000.00	\$55,497.00	\$499,473.00	\$184,527.00
	<u>EMPLOYEE</u>				
5013	<u>EMPLOYEE SALARIES</u>	\$420,000.00	\$28,041.72	\$308,067.37	\$111,932.63
5032	<u>EMPLOYEE DRUG TESTING</u>	\$800.00	\$90.00	\$90.00	\$710.00
5041	<u>TEMP HELP SALARY</u>	\$10,000.00	\$0.00	\$1,097.96	\$8,902.04
5116	<u>INSURANCE - HEALTH</u>	\$140,000.00	\$12,904.82	\$93,004.09	\$46,995.91
5112	<u>TWC</u>	\$10,000.00	\$0.00	\$3,606.00	\$6,394.00
5012	<u>IRA CONTRIBUTION</u>	\$18,000.00	\$723.99	\$7,334.58	\$10,665.42
5049	<u>UNIFORMS</u>	\$4,000.00	\$294.73	\$2,749.23	\$1,250.77
31/44/95	<u>TRAINING/TRAVEL</u>	\$18,000.00	\$833.32	\$7,236.17	\$10,763.83
5032	<u>SAFETY EQUIPMENT</u>	\$6,000.00	\$0.00	\$0.00	\$6,000.00
5020	<u>MILEAGE REIMBURSEMENT</u>	\$2,500.00	\$0.00	\$532.52	\$1,967.48
5136	<u>FINANCIAL AUDIT</u>	\$9,500.00	\$0.00	\$9,400.00	\$100.00
5120	<u>ENGINEERING SERVICES</u>	\$200,000.00	\$5,366.73	\$128,736.23	\$71,263.77
5135	<u>LEGAL SERVICES</u>	\$80,000.00	\$1,556.61	\$15,477.13	\$64,522.87
5117	<u>LAWN MAINTENANCE</u>	\$1,500.00	\$0.00	\$450.00	\$1,050.00
5567	<u>INSPECTIONS/CSI/PROJECT</u>	\$5,000.00	\$0.00	\$225.00	\$4,775.00
5581	<u>PEST CONTROL</u>	\$800.00	\$75.00	\$225.00	\$575.00
5040	<u>PHONE SERVICE</u>	\$11,000.00	\$744.96	\$6,613.23	\$4,386.77
5035	<u>TRASH PICK-UP</u>	\$1,500.00	\$0.00	\$1,107.33	\$392.67
5030	<u>ELECTRICITY</u>	\$58,000.00	\$5,085.80	\$44,925.63	\$13,074.37
5045/46	<u>EQUIPMENT/BLDG. REPAIRS*****</u>	\$155,000.00	\$180.00	\$73,765.54	\$81,234.46
5567	<u>TANK INSPECTIONS/CLEANING</u>	\$15,000.00	\$0.00	\$0.00	\$15,000.00
5051	<u>SCADA SYSTEM UPGRADE/****</u>	\$25,000.00	\$349.99	\$349.99	\$24,650.01
	<u>CONTRACT</u>	-			
	SUB TOTAL	\$1,875,600.00	\$111,744.67	\$1,204,466.00	\$671,134.00

Exhibit CR-9

BUDGET SEPTEMBER 2018

ACC #	OPERATIONS FUNDS	APPRO	SEPTEMBER	YTD TOTAL	Balance of F/Y App
	VEHICLE EXPENSES				
5055	<u>VEHICLE FUEL</u>	\$7,000.00	\$623.03	\$3,353.28	\$3,646.72
5088	<u>VEHICLE SERVICE</u>	\$5,000.00	\$255.58	\$1,783.85	\$3,216.15
-		-			
		-			
ACC#	<u>NEW EQUIPMENT/TOOLS</u>				
5042	<u>TOOLS</u>	\$1,000.00	\$0.00	\$0.00	\$1,000.00
5050	<u>CHLORINE TEST SUPPLIES</u>	\$10,000.00	\$199.46	\$4,149.92	\$5,850.08
5042	<u>Replacement colorimeters</u>	\$5,000.00	\$0.00	\$2,984.90	\$2,015.10
5047	<u>Computer repairs/Upgrades</u>	\$5,000.00	\$100.00	\$230.00	\$4,770.00
5176	<u>Computer Software</u>	\$6,000.00	\$12.99	\$1,745.17	\$4,254.83
ACC #	<u>SYSTEM MAINTENANCE REPAIRS</u>				
5050	<u>MATERIAL COST</u>	\$100,000.00	\$146.76	\$44,548.03	\$55,451.97
5052	<u>EQUIP. CHARGES(rentals)</u>	\$10,000.00	\$430.14	\$4,004.06	\$5,995.94
5566	<u>CONTRACTED LABOR</u>	\$10,000.00	\$0.00	\$1,000.00	\$9,000.00
5053	<u>System Expense/Expansion***</u>	\$0.00	\$0.00	\$0.00	\$0.00
-					
		-			
ACC#	<u>MANDATORY EXPENSES</u>				
5065	<u>STATE REQUIRED TESTING</u>	\$10,000.00	\$0.00	\$4,865.40	\$5,134.60
	<u>SUB TOTAL</u>	\$169,000.00	\$1,767.96	\$68,664.61	\$100,335.39

Exhibit CR-9

BUDGET SEPTEMBER 2018

ACC#	OPERATIONS FUNDS	APPRO	SEPTEMBER	YTD TOTAL	Balance of F/Y App
	5582 OFFICE EXPENSES (security)	\$4,000.00	\$0.00	\$1,812.89	\$2,187.11
	5090/91 OFFICE OPERATING EXPENSES	\$30,000.00	\$4,123.52	\$17,715.75	\$12,284.25
	5201 POSTAGE & DELIVERY	\$20,000.00	\$1,446.07	\$9,856.15	\$10,143.85
	5160 ADVERTISEMENTS	\$3,500.00	\$49.50	\$49.50	\$3,450.50
	5150 DUES / SUBSCRIPTIONS	\$18,000.00	\$0.00	\$748.00	\$17,252.00
	5151 LICENSES / PERMITS	\$6,200.00	\$61.00	\$441.25	\$5,758.75
	5113 Commercial Ins.	\$36,000.00	\$0.00	\$30,764.40	\$5,235.60
	5176 BILLING & 3G MAINT CONTRACT	\$7,000.00	\$0.00	\$6,704.96	\$295.04
	2115 WORLD LAND DEVELOPERS	\$100,000.00	\$0.00	\$49,000.00	\$51,000.00
	2180 Independent Bank	\$140,000.00	\$11,565.53	\$104,089.77	\$35,910.23
	2130 STATE ASSESSMENT FEE	\$8,000.00	\$0.00	\$5,908.84	\$2,091.16
	5565 SUD Directors Comp.	\$8,000.00	\$0.00	\$0.00	\$8,000.00
ACC#		-			
	5070 Interest Expense/	\$12,000.00	\$573.19	\$5,344.61	\$6,655.39
	5062 Returned Check				
	SUB TOTAL	\$392,700.00	\$17,818.81	\$232,436.12	\$160,263.88
	TOTAL OPERATING BUDGET	\$2,437,300.00	\$131,331.44	\$1,505,566.73	\$931,733.27

Exhibit CR-9

STATEMENT OF EXPENDITURES BY ACCOUNT

BUDGET SEPTEMBER 2018

ACC#	CAPITAL PURCHASE ITEMS	APPR	SEPTEMBER	YTD TOTAL	Balance of F/Y App
	Billing Software	\$23,000.00	\$0.00	\$21,872.28	\$ 1,127.72
	Phone System	\$9,200.00	\$0.00	\$8,281.13	\$918.87
	Election Costs	\$7,000.00	\$0.00	\$5,788.25	\$1,211.75
	Engineering Fees - PS Upgrade*****		\$ 154,212.50	\$ 154,212.50	
ACC#	SYSTEM UPGRADES				
5061	Line Upgrades Hwy. 78	\$2,000,000.00	\$0.00	\$0.00	\$ 2,000,000.00
	-	-			
	SUB TOTAL	\$2,039,200.00	\$154,212.50	\$190,154.16	\$ 2,003,258.34
	TOTAL EXPENSES	\$4,476,500.00			\$2,934,991.61
****	AMENDED 04/10/18				
*****	AMENDED 05/08/18				
*****	AMENDED 09/11/18				

LAVON SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
SIX MONTHS ENDED DECEMBER 31, 2013

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

**LAVON SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
SIX MONTHS ENDED DECEMBER 31, 2013**

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Exhibit CR-10

BCSUD000814

LAVON SPECIAL UTILITY DISTRICT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF Collin

I, Herman Stork of the
(Name of Duly Authorized District Representative)

Lavon Special Utility District

(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 8th day of July, 2014
its annual audit report for the fiscal period ended December 31, 2013

and that copies of the annual report have been filed in the District's office, located at _____

P.O. Box 188 Lavon, TX 75166

(Address of the District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: 10th July, 2014 By Herman Stork
(Signature of District Representative)

HERMAN STORK
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 10th day of July, 2014



Camille Reagan
(Signature of Notary)

My Commission Expires On: August 11, 2016
Notary Public of the State of Texas.

Exhibit CR-10

BCSUD000815



FINANCIAL SECTION

**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying financial statements of the business type activities, which are the proprietary funds of the Lavon Special Utility District (District), as of and for the six months ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 account 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 respective financial position of the business type activities, which are the proprietary funds of the Lavon Special Utility District as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the six months then ended, in accordance with accounting principles generally accepted in the United States of America.

Exhibit CR-10

BCSUD000818

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

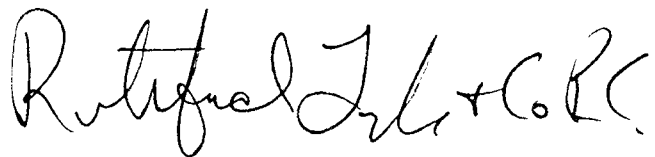
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified as Texas Supplementary Information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements.

The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

June 24, 2014
Greenville, Texas



**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities, which are the proprietary funds of the Lavon Special Utility District (District), as of and for the six months ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Exhibit CR-10

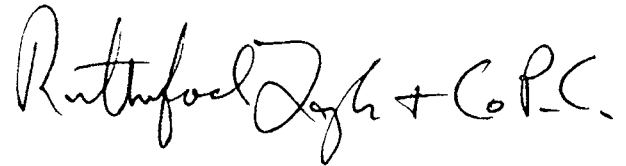
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Report on Internal Control – Continued

Purpose of this Report

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

June 24, 2014
Greenville, Texas

A handwritten signature in black ink, reading "Ruthfael Zogh + Co P.C.", is positioned to the right of the date and location text.

LAVON SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SIX MONTHS ENDED DECEMBER 31, 2013

Financial Statements Findings (Section I)

NONE

LAVON SPECIAL UTILITY DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
SIX MONTHS ENDED DECEMBER 31, 2013

Prior Year Findings (Section II)

NONE

LAVON SPECIAL UTILITY DISTRICT
CORRECTIVE ACTION PLAN
SIX MONTHS ENDED DECEMBER 31, 2013

Corrective Action Plans (Section III)

NONE

LAVON SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED DECEMBER 31, 2013

This section of Lavon Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

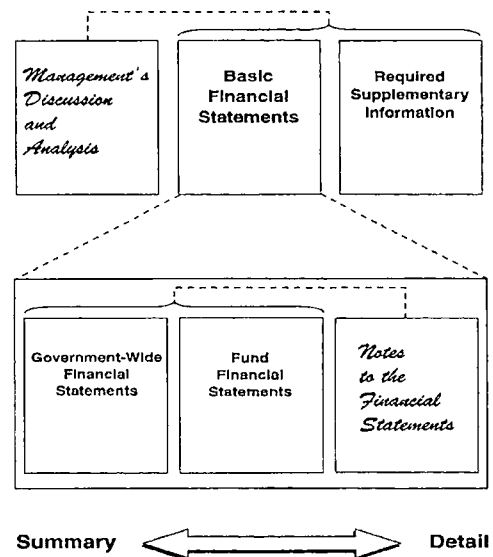
- As of July 1, 2013, the Lavon Water Supply Corporation was converted to Lavon Special Utility District in accordance with Tex. Water Code 65.102 (1) and (3).
- The District's total net position was \$ 5,437,746 at year end.
- During the six months, The District's expenses were \$ 236,909 less than the \$ 889,036 generated from charges for services and other revenues for business-type activities.
- The District entered into no new debt agreements during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and required supplementary information. Management's Discussion and Analysis provides an overview of the financial activities of the District. The basic financial statements include three statements that present a financial view of the District: The Statement of Fund Net Position presents financial information, including assets and liabilities, representing a one day snapshot; the Statement of Revenues, Expenses and Changes in Fund Net Position presents a review of operating and non-operating activities for the fiscal period; the Statement of Cash Flows reflects the inflows and outflows of cash resources.

- Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as water sales.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$ 5,437,746 at year end.

Lavon Special Utility District's Net Position		Table A-1
		2013
Assets:		
Cash and Cash Equivalents	\$	933,816
Other Assets		127,746
Non-Current Assets		6,093,408
Restricted Assets		843,871
Total Assets	\$	7,998,841
Liabilities:		
Current Liabilities	\$	121,422
Long-term Liabilities		2,439,673
Total Liabilities	\$	2,561,095
Net Position:		
Retained Earnings		5,437,746
Total Net Position	\$	5,437,746

Exhibit CR-10

LAVON SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED DECEMBER 31, 2013

Table A-2	
Changes in Lavon Special Utility District's Net Position	
	2013
Program Revenues:	
Charges for Services	\$ 889,036
Total Revenues	\$ 889,036
Expenses:	
Water Utilities	\$ 609,069
Total Expenses	\$ 609,069
Non-Operating Revenues (Expenses):	
Interest Income	6,065
Interest Expense	(49,123)
Net Non-Operating Revenues	\$ (43,058)
Increase (Decrease) in Net Position	\$ 236,909

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year end, the District had invested \$ 6,158,526 in a broad range of capital assets, including land, water distribution system, buildings, equipment and vehicles (see Table A-3).

Table A-3	
Lavon Special Utility District's Capital Assets	
	2013
Land and Improvements	\$ 245,368
Construction in Progress	996,928
Water Distribution System	4,454,591
Vehicles and Equipment	48,904
Buildings	412,735
Totals at Historical Cost	\$ 6,158,526
Total Accumulated Depreciation	(92,035)
Net Capital Assets	\$ 6,066,491

Exhibit CR-10

BCSUD000826

LAVON SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED DECEMBER 31, 2013

Long Term Debt

At year end, the District had \$ 2,103,004 in debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Lavon Special Utility District's Long Term Debt		Table A-4
		2013
Loans Payable	\$	2,103,004
Total Debt Payable	\$	2,103,004

BUDGET, ECONOMIC ENVIRONMENT AND RATES

At this time Lavon Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2014.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Camille Reagan, General Manager for the District.

BASIC FINANCIAL STATEMENTS

LAVON SPECIAL UTILITY DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	Enterprise Fund Water Utilities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 933,816
Accounts Receivable	79,168
Prepaid Expenses, Supplies and Materials	48,578
Total Current Assets	<u>\$ 1,061,562</u>
Restricted Assets:	
Cash - Loan Covenants	\$ 252,298
Cash - Board Restricted	591,573
Total Restricted Assets	<u>\$ 843,871</u>
Non-Current Assets:	
SUD Conversion Costs	\$ 26,919
Capital Assets:	
Land	245,367
Construction in Progress	996,928
Water Distribution System, Net	4,374,498
Buildings, Net	406,800
Vehicles and Equipment, Net	42,896
Total Non-Current Assets	<u>\$ 6,093,408</u>
Total Assets	<u>\$ 7,998,841</u>

The accompanying notes are an integral part of this statement.

LAVON SPECIAL UTILITY DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	Enterprise Fund Water Utilities
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 55,882
Payroll Liabilities Payable	3,448
TCEQ Assessment Payable	4,108
Accrued Benefits Payable	6,704
Accrued Interest Payable	4,649
Loans Payable, Current Portion	46,631
Total Current Liabilities	<u>\$ 121,422</u>
Long-term Liabilities:	
Customer Deposits	\$ 383,300
Loans Payable, less Current Portion	2,056,373
Total Long-term Liabilities	<u>\$ 2,439,673</u>
Total Liabilities	<u>\$ 2,561,095</u>
NET POSITION	
Retained Earnings	<u>\$ 5,437,746</u>
Total Net Position	<u>\$ 5,437,746</u>

The accompanying notes are an integral part of this statement.

LAVON SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
SIX MONTHS ENDED DECEMBER 31, 2013

	Enterprise Fund Water Utilities
OPERATING REVENUES	
Water Sales	\$ 523,309
Customer Charges/Fees	277,134
Other Income	88,593
Total Operating Revenues	<u>\$ 889,036</u>
OPERATING EXPENSES	
Payroll and Benefits	\$ 110,160
Water Purchases	198,326
Repairs and Maintenance	28,996
Utilities	24,519
Supplies	28,847
Insurance	36,472
Dues and Fees	3,494
Depreciation and Amortization	95,026
Professional Fees	24,195
Other Operating Expenses	59,034
Total Operating Expenses	<u>\$ 609,069</u>
Net Operating Revenue (Expenses)	<u>\$ 279,967</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	\$ 6,065
Interest Expense	(49,123)
Net Non-Operating Revenue (Expenses)	<u>\$ (43,058)</u>
Change in Net Position	<u>\$ 236,909</u>
Total Net Position - Beginning July 1)	<u>5,200,837</u>
Total Net Position - Ending (December 31)	<u><u>\$ 5,437,746</u></u>

The accompanying notes are an integral part of this statement.

Exhibit CR-10
BCSUD000831

LAVON SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
SIX MONTHS ENDED DECEMBER 31, 2013

	Enterprise Fund Water Utilities
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 857,617
Cash Payments for Goods and Services	(336,247)
Cash Payments to Employees	(108,912)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 412,458</u>
Cash Flows from Investing Activities:	
Purchase of Property, Plant and Equipment	\$ (695,311)
Payment Representing SUD Conversion Costs	(2,030)
Transfers to Restricted Accounts	(126,541)
Interest Received	6,065
Net Cash Provided by (Used for) Investing Activities	<u>\$ (817,817)</u>
Cash Flows from Financing Activities:	
Payments of Principal on Long-term Financing	\$ (22,352)
Payments of Interest on Long-term Financing	(49,319)
Increase (Decrease) in Customer Deposits	14,200
Net Cash Provided by (Used for) Financing Activities	<u>\$ (57,471)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (462,830)
Cash and Cash Equivalents - Beginning July 1)	<u>1,396,646</u>
Cash and Cash Equivalents - Ending (December 31)	<u>\$ 933,816</u>
Reconciliation of Change in Equity to Net Cash Provided by Operating Activities	
Operating Income Over (Under) Operating Expense	\$ 279,967
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	92,035
Amortization Expense	2,991
(Increase) Decrease in Prepaid Expenses	7,354
(Increase) Decrease in Accounts Receivable	22,302
(Increase) Decrease in Prepaid Supplies and Materials	5,989
Increase (Decrease) in Accounts Payable	49,682
Increase (Decrease) in Payroll Liabilities Payable	(1,696)
Increase (Decrease) in Accrued Benefits Payable	(3,850)
(Increase) Decrease in Prepaid Impact Fees	(45,000)
Increase (Decrease) in TCEQ Assessment Payable	2,684
Net Cash Provided by (Used for) Operating Activities	<u>\$ 412,458</u>

The accompanying notes are an integral part of this statement.

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

A. Summary of Significant Accounting Policies

The Lavon Special Utility District (District) was approved by the voters within the District on May 14, 2011. The Lavon Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code.

As of June 30, 2013, the Lavon Water Supply Corporation was dissolved and all assets and liabilities of the corporation were transferred to Lavon Special Utility District. As of July 1, 2013, the Lavon Special Utility District is accountable for all financial transactions.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board), a seven member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Lavon Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

2. Basis of Presentation

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenses. The fund type utilized by the District is described below:

a. Proprietary fund types include the following –

The *Enterprise Fund* is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989 and continue to follow new FASB pronouncements unless they conflict with GASB guidance.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net position.

4. Budget

The Board adopts an annual budget for the Enterprise Fund. The Budget for the Enterprise Fund is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the General Manager of the District.

Exhibit CR-10

BCSUD000833

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

A. Summary of Significant Accounting Policies (Continued)

5. Property, Plant and Equipment

Additions to the utility system are recorded at cost or, if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 years
Office Equipment	5-10 years
Equipment	7-10 years
Water Distribution System	40 years
Vehicles	5-7 years

6. Amortization of Equity Fee and Organizational Costs

The District has assets recorded in the basic financial statements entitled "SUD Conversion Costs, Net." Generally accepted accounting principles require that the District capitalize the costs associated with these assets and amortize those costs over a period not less than 60 months, rather than expensing the entire amount in the year incurred. The expense associated with this amortization appears in the basic financial statements as "Amortization." The amount expensed during the year, was \$ 2,991. The amount recorded as an asset (net of amortization) in the basic financial statements at year end, totaled \$ 29,909.

7. Prepaid Expenses, Supplies and Materials

Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid supplies and materials consist of supplies and repair parts for the distribution system, valued at cost. The cost of supplies and materials is recorded as an expense when consumed rather than when purchased.

8. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions, including time deposits. For the purpose of the statement of cash flows, a cash equivalent is considered any highly liquid investment with a maturity of ninety days or less.

9. Retirement Plan

The District participates in a Simple IRA plan to provide retirement benefits for its employees. Employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. The District matches employee contributions dollar for dollar up to a maximum of 3% of the employee's compensation or the limit set by the Internal Revenue Service, whichever is less. All matching contributions vest immediately. The District's matching contributions to the Simple IRA plan during the fiscal year totaled approximately \$ 2,811.

10. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave does not vest, but accumulates and is recorded as an expense as it is paid.

Exhibit CR-10

BCSUD000834

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

B. Deposits, Securities and Investments

The District's funds appear to be deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2013, it appears that District cash deposits were properly covered by FDIC insurance or by pledged collateral.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include deposits in money market accounts and certificates of deposit at the local depository. All money market accounts and certificates of deposit are reported at share price (fair value) and are presented as cash and cash equivalents.

The following table categorizes the District's investment at year end:

	Credit Rating	Fair Value
Certificate of Deposit	AAAm	\$ 197,809
Money Market Accounts	AAAm	646,062
Total		<u>\$ 843,871</u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: Independent Bank, McKinney, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 1,493,660.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 1,960,433 and occurred during the month of August 2013.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Exhibit CR-10

BCSUD000835

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

B. Deposits, Securities and Investments (Continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Capital Assets

The following is a summary of changes in capital assets for the six months:

	Beginning Balances	Additions and Reclassifications	Retirements	Ending Balances
Land and Improvements	\$ 245,368	\$ -	\$ -	\$ 245,368
Construction in Progress	306,787	690,141	-	996,928
Buildings	412,735	-	-	412,735
Water Distribution System	4,454,591	-	-	4,454,591
Vehicles	43,734	5,170	-	48,904
Totals at Historical Cost	\$ 5,463,215	\$ 695,311	\$ -	\$ 6,158,526
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ 5,935	\$ -	\$ 5,935
Water Distribution System	-	80,092	-	80,092
Vehicles	-	6,008	-	6,008
Total Accumulated Depreciation	\$ -	\$ 92,035	\$ -	\$ 92,035
Net Capital Assets	\$ 5,463,215	\$ 603,276	\$ -	\$ 6,066,491

Exhibit CR-10

BCSUD000836

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

D. Long - Term Obligations

The following schedule presents changes in long-term obligations for the fiscal year end.

	Balance Beginning	Additions	Deletions	Balance Ending	Current Portion of Debt
Loans Payable	\$ 2,125,356	\$ -	\$ 22,352	\$ 2,103,004	\$ 46,630
Total Debt Payable	\$ 2,125,356	\$ -	\$ 22,352	\$ 2,103,004	\$ 46,630

Loans Payable

Lavon SUD assumed the debt of Lavon WSC which consisted of debt through the United States Department of Agriculture. The following presents information on the outstanding loans:

Payee	Interest Rate	Original Issue	Current Outstanding
USDA - Loan 2	5.625%	\$ 742,777	\$ 732,416
USDA - Loan 3	4.125%	1,382,579	1,370,588
Total			<u>\$ 2,103,004</u>

Maturities of loan balances at year end are as follows:

Year Ending December 31	Principal	Interest	Total Requirements
2014	\$ 46,630	\$ 96,710	\$ 143,340
2015	48,932	94,408	143,340
2016	51,086	92,254	143,340
2017	53,877	89,463	143,340
2018	56,545	86,795	143,340
2019-2023	327,475	389,225	716,700
2024-2028	417,599	299,101	716,700
2029-2033	486,578	183,861	670,439
2034-2038	308,247	96,573	404,820
2039-2043	306,035	27,266	333,301
Totals	<u>\$ 2,103,004</u>	<u>\$ 1,455,656</u>	<u>\$ 3,558,660</u>

E. Customer Deposits

The District requires each new customer to pay \$ 200, which is held as a refundable deposit to secure payment of the customer's water bill. At year end, the District's obligation totaled \$ 382,200

F. Litigation

The District does not appear to be involved in any litigation as of December 31, 2013.

LAVON SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year end, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Subsequent Events

District Management has evaluated subsequent events through June 24, 2014, which is the date the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.

TEXAS SUPPLEMENTARY INFORMATION (TSI)
(Other Supplementary Information)

LAVON SPECIAL UTILITY DISTRICT
SUPPLEMENTARY SCHEDULES INCLUDED WITHIN THIS REPORT
SIX MONTHS ENDED DECEMBER 31, 2013

<u>Exhibit ID</u>	<u>Exhibit Title</u>	<u>Page</u>
	Independent Auditor's Report on Supplementary Schedules	27
	Budgetary Comparison Schedule – Enterprise Fund	28
TSI-1	Services and Rates	29
TSI-2	Enterprise Fund Expenditures	31
TSI-3	Temporary Investments	32
TSI-5	Long-Term Debt Service Requirements by Years	33
TSI-7	Comparative Schedule of Revenues and Expenses Enterprise Fund - Five Years	34
TSI-8	Board Members, Key Personnel and Consultants	35

The following schedules are not applicable to this District.

- I. Analysis of Taxes Levied and Receivable

**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

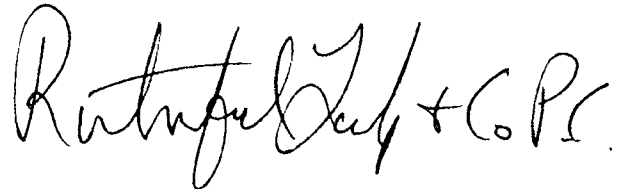
Members of the Board.

In our opinion, the accompanying information is stated accurately in all material respects in relation to the basic financial statements, taken as a whole, of the Lavon Special Utility District for the six months ended December 31, 2013, which are covered by our opinion presented in the first section of this report.

The accompanying information is supplementary to the basic financial statements and is not essential for a fair presentation of financial position, results of operations or cash flows.

Our audit, which was made for the purpose of forming an opinion on the basic financial statements taken as a whole, included such tests of the accounting records, from which the supplementary information was compiled, and such other auditing procedures as we considered necessary in the circumstances.

June 24, 2014
Greenville, Texas



LAVON SPECIAL UTILITY DISTRICT
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
SIX MONTHS ENDED DECEMBER 31, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Water Sales	\$ -	\$ -	\$ 523,309	\$ 523,309
Charges for Services	-	-	277,134	277,134
Other Income	-	-	88,593	88,593
Total Operating Revenues	\$ -	\$ -	\$ 889,036	\$ 889,036
OPERATING EXPENSES				
Payroll and Benefits	\$ 390,432	\$ 390,432	\$ 110,160	\$ 280,272
Water Distribution System	522,000	522,000	198,326	323,674
Other Operating Costs	190,750	190,750	147,880	42,870
Professional and Legal Fees	66,655	66,655	24,195	42,460
Insurance	30,000	30,000	36,472	(6,472)
Depreciation	-	-	92,035	(92,035)
Total Operating Expenses	\$ 1,199,837	\$ 1,199,837	\$ 609,068	\$ 590,769
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	\$ -	\$ -	\$ 6,065	\$ 6,065
Interest Expense	245,340	245,350	(49,123)	(294,473)
Net Non-Operating Revenues (Expenses)	\$ 245,340	\$ 245,350	\$ (43,058)	\$ (288,408)
Change in Net Position	\$ (954,497)	\$ (954,487)	\$ 236,910	\$ 1,191,397
Net Position - Beginning (July 1)	5,200,837	5,200,837	5,200,837	-
Net Position - Ending (December 31)	\$ 4,246,340	\$ 4,246,350	\$ 5,437,747	\$ 1,191,397

Exhibit CR-10

BCSUD000842

LAVON SPECIAL UTILITY DISTRICT
SERVICES AND RATES
SIX MONTHS ENDED DECEMBER 31, 2013

1. Services provided by the District:

<u>X</u>	Retail Water	Wholesale Water	Drainage
	Retail Wastewater	Wholesale Wastewater	Irrigation
	Parks/Recreation	Fire Protection	Security
	Solid Waste/Garbage	Flood Control	Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

Other (specify): _____

2. Retail Rates Based on 5/8" Meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 25.00	-0-	N	\$ 4.00	-0- to 5,000
				\$ 4.25	5,001 to 10,000
				\$ 5.00	10,001 to 15,000
				\$ 6.25	15,001 to 25,000
				\$ 7.00	25,001 to unlimited

District employs winter averaging for wastewater usage? Yes XNo

Total charges per 10,000 gallons usage: Water \$ 66.46

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	x 1.0	0
≤ 3/4"	1849	1785	x 1.0	1785
1"	0	0	x 2.5	0
1 1/2"	0	0	x 5.0	0
2"	2	2	x 8.0	16
3"	0	0	x 15.0	0
4"	0	0	x 25.0	0
Total Water	0	0		0
Total Wastewater	0	0	x 1.0	0

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 195,518,000

Gallons billed to customers: 179,137,900

Water Accountability Percent: 91.62%

Exhibit CR-10

BCSUD000843

LAVON SPECIAL UTILITY DISTRICT
SERVICES AND RATES
SIX MONTHS ENDED DECEMBER 31, 2013

4. Standby Fees: District does not levy standby fees.

5. Location of District:
County(ies) in which district is located Collin / Rockwall
Is the District located entirely in one county? Yes _____ No X
Is the District located within a city? Entirely _____ Partly X Not at all _____
City(ies) in which District is located. Lavon
Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely _____ Partly X Not at all _____
ETJ's in which District is located Lavon
Is the general membership of the Board appointed by an office outside the District?
Yes _____ No X
If Yes, by whom? N/A

Exhibit CR-10

BCSUD000844

LAVON SPECIAL UTILITY DISTRICT
ENTERPRISE FUND EXPENDITURES
SIX MONTHS ENDED DECEMBER 31, 2013

Payroll and Benefits	\$ 110,160
Water Distribution System	227,322
Other Operating Costs	115,894
Professional and Legal Fees	24,195
Insurance	36,472
Depreciation and Amortization	95,026
Interest Expense	<u>49,123</u>
Total Expenses	<u><u>\$ 658,192</u></u>

Number of persons employed by the District:

Full Time	<u>3</u>
Part Time	<u>0</u>

LAVON SPECIAL UTILITY DISTRICT
TEMPORARY INVESTMENTS
SIX MONTHS ENDED DECEMBER 31, 2013

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at Year End
<u>Enterprise Fund</u>					
Money Market		0.010%		\$ 393,764	*
Discover Bank CD	1042016	4.650%	01/04/16	95,542	*
DMB Community Bank CD	12292015	4.100%	12/29/15	102,267	*
Viewpoint MM	100525973	0.200%		69,830	*
Viewpoint MM	100525976	0.200%		69,979	*
Viewpoint MM	100525977	0.200%		112,489	*
Total				<u>\$ 843,871</u>	<u>\$ -</u>

* Interest is paid on a monthly basis.

Exhibit CR-10

BCSUD000846

LAVON SPECIAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SERIES 2000 - BY YEARS
YEAR ENDED DECEMBER 31, 2013

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 46,630	\$ 96,710	\$ 143,340
2015	48,932	94,408	143,340
2016	51,086	92,254	143,340
2017	53,877	89,463	143,340
2018	56,545	86,795	143,340
2019-2023	327,475	389,225	716,700
2024-2028	417,599	299,101	716,700
2029-2033	486,578	183,861	670,439
2034-2038	308,247	96,573	404,820
2039-2043	306,035	27,266	333,301
			-
Total	<u>\$ 2,103,004</u>	<u>\$ 1,455,656</u>	<u>\$ 3,558,660</u>

LAVON SPECIAL UTILITY DISTRICT
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
ALL PROPRIETARY FUND TYPES
FIVE YEARS ENDED DECEMBER 31, 2013

	AMOUNTS					PERCENT OF FUND TOTAL REVENUE				
	2013 *	2012	2011	2010	2009	2013 *	2012	2011	2010	2009
OPERATING REVENUE										
Water Sales	\$ 523,309	\$ -	\$ -	\$ -	\$ -	58.86%	0.00%	0.00%	0.00%	0.00%
Customer Charges/Fees	365,727	-	-	-	-	41.14%	0.00%	0.00%	0.00%	0.00%
TOTAL OPERATING REVENUE	\$ 889,036	\$ -	\$ -	\$ -	\$ -	100.00%	0.00%	0.00%	0.00%	0.00%
OPERATING EXPENSES										
Payroll and Benefits	\$ 110,160	\$ -	\$ -	\$ -	\$ -	12.39%	0.00%	0.00%	0.00%	0.00%
Water Distribution System	284,182	-	-	-	-	31.97%	0.00%	0.00%	0.00%	0.00%
Other Operating Costs	62,025	-	-	-	-	6.98%	0.00%	0.00%	0.00%	0.00%
Professional and Legal Fees	24,195	-	-	-	-	2.72%	0.00%	0.00%	0.00%	0.00%
Insurance	36,472	-	-	-	-	4.10%	0.00%	0.00%	0.00%	0.00%
Depreciation	92,035	-	-	-	-	10.35%	0.00%	0.00%	0.00%	0.00%
TOTAL OPERATING EXPENSES	\$ 609,069	\$ -	\$ -	\$ -	\$ -	68.51%	0.00%	0.00%	0.00%	0.00%
NET OPERATING REVENUE (EXPENSES)	\$ 279,967	\$ -	\$ -	\$ -	\$ -	31.49%	0.00%	0.00%	0.00%	0.00%
NON-OPERATING REVENUE (EXPENSES)										
Interest Income	\$ 6,065	\$ -	\$ -	\$ -	\$ -	0.68%	0.00%	0.00%	0.00%	0.00%
Interest Expense	(49,123)	-	-	-	-	5.53%	0.00%	0.00%	0.00%	0.00%
NET NON-OPERATING REVENUE (EXPENSES)	\$ (43,058)	\$ -	\$ -	\$ -	\$ -	6.21%	0.00%	0.00%	0.00%	0.00%
NET REVENUE (EXPENSES)	\$ 236,909	\$ -	\$ -	\$ -	\$ -	37.70%	0.00%	0.00%	0.00%	0.00%

*For the six (6) months ended December 31, 2013, initial operating period.

LAVON SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SIX MONTHS ENDED DECEMBER 31, 2013

Complete District Mailing Address: P.O. Box 188, Lavon, TX 75166

District Business Telephone Number: 972-843-2101

Submission Date of the most recent District Registration Form:

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 588

	Term of Office (Elected or Appointed or Date Hired)	Fees of Office Paid FYE Date	Expense Reimbursements FYE Date	Title at Year End
<u>Names:</u>				
Board Members:				
Herman Stork	3 Yrs	\$ 588	\$ -	President
John H. Horton	3 Yrs	\$ 441	\$ -	Vice-Pres
Cheryl Crowder	3 Yrs	\$ 392	\$ -	Secretary
Aubrey Mayfield	3 Yrs	\$ 441	\$ -	Treasurer
Bryan Block	3 Yrs	\$ 343	\$ -	Director
David Adcock	3 Yrs	\$ 441	\$ -	Director
Mike Cook	3 Yrs	\$ 245	\$ -	Director
Billy Roden	3 Yrs	\$ 588	\$ -	Director
Consultants:				
Coats Rose		\$ 25,010	\$ -	Attorney
Rutherford, Taylor & Company, P.C		\$ -	\$ -	Auditor
Kimley Horn		\$ 30,935	\$ -	Engineer

Exhibit CR-10

BCSUD000849

LAVON SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

**LAVON SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014**

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LAVON SPECIAL UTILITY DISTRICT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF Collin

I, _____ of the
(Name of Duly Authorized District Representative)

Lavon Special Utility District

(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board
of Directors on the _____ day of _____,

its annual audit report for the fiscal period ended December 31, 2014

and that copies of the annual report have been filed in the District's office, located at _____

P.O. Box 188 Lavon, TX 75166

(Address of the District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on
Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____ By: _____
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____

(SEAL)

(Signature of Notary)

My Commission Expires On: _____

Notary Public of the State of Texas.

FINANCIAL SECTION

**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying financial statements of the business type activities, which are the proprietary funds of the Lavon Special Utility District (District), as of and for the twelve months ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 account 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 respective financial position of the business type activities, which are the proprietary funds of the Lavon Special Utility District as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the twelve months then ended, in accordance with accounting principles generally accepted in the United States of America.