



Control Number: 51646



Item Number: 1

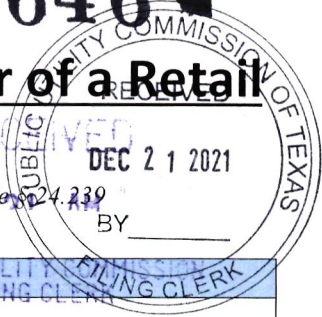
Addendum StartPage: 0



51646

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

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239



Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
- Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
 - Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
 - Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
- SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records).
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
- DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. **Application is not accepted for filing.**
 - SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. **Application is accepted for filing.**
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.
- HEARING ON THE MERITS:** An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

FAQ:

Who can use this form?

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

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

Terms

Transferor: Seller

Transferee: Purchaser

CCN: Certificate of Convenience and Necessity

STM: Sale, Transfer, or Merger

IOU: Investor Owned Utility

11110

Application Summary

Transferor: Waters of Vista Ranch Water Supply Corporation ("WOVR WSC")
(selling entity)

CCN No.s: 12927

☒ Sale ☐ Transfer ☐ Merger ☐ Consolidation ☐ Lease/Rental

Transferee: Aqua Water Supply Corporation ("Aqua WSC")
(acquiring entity)

CCN No.s: 10294

☒ Water ☐ Sewer ☐ All CCN ☐ Portion CCN ☐ Facilities transfer

County(ies): Fayette County, Texas

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Please mark the items included in this filing

<input checked="" type="checkbox"/> Contract, Lease, Purchase, or Sale Agreement	Part A: Question 1
<input checked="" type="checkbox"/> Tariff including Rate Schedule	Part B: Question 4
<input type="checkbox"/> List of Customer Deposits	Part B: Question 5
<input type="checkbox"/> Partnership Agreement	Part C: Question 7
<input checked="" type="checkbox"/> Articles of Incorporation and By-Laws (WSC)	Part C: Question 7
<input type="checkbox"/> Certificate of Account Status	Part C: Question 7
<input checked="" type="checkbox"/> Financial Audit	Part C: Question 10
<input type="checkbox"/> Application Attachment A & B	Part C: Question 10
<input type="checkbox"/> Disclosure of Affiliated Interests	Part C: Question 10
<input type="checkbox"/> Capital Improvement Plan	Part C: Question 10
<input type="checkbox"/> List of Assets to be Transferred	Part D: 11.B
<input type="checkbox"/> Developer Contribution Contracts or Agreements	Part D: 11.D
<input type="checkbox"/> Enforcement Action Correspondence	Part E: Question 18 (Part D: Q12)
<input checked="" type="checkbox"/> TCEQ Compliance Correspondence	Part F: Question 22
<input type="checkbox"/> TCEQ Engineering Approvals	Part F: Question 24
<input type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part F: Question 26
<input checked="" type="checkbox"/> Detailed (large scale) Map	Part G: Question 29
<input checked="" type="checkbox"/> General Location (small scale) Map	Part G: Question 29
<input checked="" type="checkbox"/> Digital Mapping Data	Part G: Question 29
<input checked="" type="checkbox"/> Signed & Notarized Oath	Page 13-14

Part A: General Information

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

Please see the attached Asset Transfer and Utility System Consolidation Agreement (Attachment A) and Description of the Uncertified Area Aqua WSC Proposes to Acquire (Attachment B) for more information regarding this proposed transaction.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

- ☐ Obtaining a NEW CCN for Purchaser
☒ Transfer all CCN into Purchaser's CCN (Merger)
☐ Transfer Portion of CCN into Purchaser's CCN
☐ Transfer all CCN to Purchaser and retain Seller CCN
☒ Uncertificated area added to Purchaser's CCN

For **Transferor** (Seller) CCN:

- ☒ Cancellation of Seller's CCN
☐ Transfer of a Portion of Seller's CCN to Purchaser
☐ Only Transfer of Facilities, No CCN or Customers
☐ Only Transfer of Customers, No CCN or Facilities
☐ Only Transfer CCN Area, No Customers or Facilities

Part B: Transferor Information

Questions 3 through 5 apply only to the *transferor* (current service provider or seller)

3. A. Name: Waters of Vista Ranch Water Supply Corporation

(individual, corporation, or other legal entity)

☐ Individual ☐ Corporation ☒ WSC ☐ Other: _____

- B. Mailing Address: P.O. Box 1042, Smithville, Texas 78957

Phone: _____ Email: dpdurfey@gmail.com

- C. Contact Person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Dennis Durfey Title: Board President

Mailing Address: 6115 Vista Ranch Road, Smithville, Texas 78957

Phone: _____ Email: dpdurfey@gmail.com

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B:

- A. Effective date for most recent rates: _____

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

☒ No ☐ Yes Application or Docket Number: _____

If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.

5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

☐ There are no customers that will be transferred

☒ # of customers without deposits held by the transferor 35

☐ # of customers with deposits held by the transferor* _____

*Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

Part C: Transferee Information

Questions 6 through 10 apply only to the *transferee* (purchaser or proposed service provider)

6. A. Name: Aqua Water Supply Corporation

(individual, corporation, or other legal entity)

☐ Individual

☐ Corporation

☒ WSC

☐ Other:

B. Mailing Address: 415 Old Austin Hwy, Drawer P, Bastrop, Texas 78602

Phone: (512) 303-3943

Email: dmcumurry@aquawsc.com

C. Contact Person. Provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Ty H. Embrey

Title: Attorney

Address: 816 Congress Avenue, Suite 1900, Austin, Texas 78701

Phone: (512) 322-5829

Email: tembrey@lglawfirm.com

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

☐ No ☒ Yes ☐ N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

☐ No ☐ Yes ☒ N/A

7. The legal status of the transferee is:

☐ Individual or sole proprietorship

☐ Partnership or limited partnership (*attach* Partnership agreement)

☐ Corporation

Charter number (as recorded with the Texas Secretary of State): _____

☒ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]

Charter number (as recorded with the Texas Secretary of State): 25894701

☒ Articles of Incorporation and By-Laws established (*attach*)

☐ Municipally-owned utility

☐ District (MUD, SUD, WCID, FWSD, etc.)

- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☐ Other (please explain): _____

8. If the transferee operates under any d/b/a, provide the name below:

Name: N/A

9. If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer:

Name: Please see Question 9 Attachment.

Position: _____ Ownership % (if applicable): 0.00%

Address: _____

Phone: _____ Email: _____

Name: _____

Position: _____ Ownership % (if applicable): 0.00%

Address: _____

Phone: _____ Email: _____

Name: _____

Position: _____ Ownership % (if applicable): 0.00%

Address: _____

Phone: _____ Email: _____

Name: _____

Position: _____ Ownership % (if applicable): 0.00%

Address: _____

Phone: _____ Email: _____

10. **Financial Information**

The transferee Applicant must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection taking the historical information of the transferor Applicant into consideration when establishing the projections.

Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

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

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test (16 Tex. Admin. Code § 24.11(e)(3)) for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Part D: Proposed Transaction Details

11. A. Proposed Purchase Price: \$ 0.00

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

☐ No ☐ Yes ☒ N/A

Total Original Cost of Plant in Service: \$

Accumulated Depreciation: \$

Net Book Value: \$

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

☒ No ☐ Yes

Total Customer CIAC: \$

Accumulated Amortization: \$

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

☒ No ☐ Yes

Total developer CIAC: \$

Accumulated Amortization: \$

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

☒ No ☐ Yes

B. If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

N/A

13. Provide any other information concerning the nature of the transaction you believe should be given consideration:

The WOVR WSC Board Members have indicated an interest in not being involved in the public water supply business. The WOVR WSC Board Members have expressed their concern with maintaining the WOVR WSC System and keeping up with all of the regulatory requirements that public water systems must meet.

14. Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

Utility Plant in Service:	\$	0.00
Accumulated Depreciation of Plant:	\$	0.00
Cash:	\$	0.00
Notes Payable:	\$	0.00
Mortgage Payable:	\$	0.00
(Proposed) Acquisition Adjustment*:	\$	
* Acquisition Adjustments will be subject to review under 16 TAC § 24 41(d) and (e)		
Other (NARUC account name & No.):		
Other (NARUC account name & No.):		

15. A. Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

Aqua WSC's tariff will apply to the Waters of Vista Ranch WSC customers after closing. Both Aqua WSC's tariff and Waters of Vista Ranch WSC's tariff have been attached for convenient reference.

B. If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

N/A. Transferee is not an IOU.

Part E: CCN Obtain or Amend Criteria Considerations

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

The parties anticipate the transfer of the WOVW WSC System to be seamless, with no impact on the quality of retail public utility service to the WOVW WSC customers. The infrastructure, which currently meets all State regulatory requirements, will be the same. The individual staff members operating the system will change to Aqua WSC's Staff, but will be equally qualified as the WOVW WSC Staff that precedes them.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

Aqua WSC currently holds Water CCN No. 10294 and Sewer CCN No. 20962. Aqua WSC has been in operation since 1970 and currently provides retail water service to over 20,000 members in Bastrop, Fayette, Travis, Caldwell, Williamson and Lee Counties. Aqua WSC has over 70 employees. Aqua WSC has 29 water wells with 19,196 gallons-per-minute combined capacity, 25 pump stations with 50,040 gallons-per-minute total capacity, 20 pressure planes, 6 Standpipes with 559,000-gallon capacity, 22 ground storage tanks with a total capacity of 7,611,800 gallons, 23 elevated storage tanks with a total capacity of 6,925,000 gallons and 15,185,800 total gallons of storage.

18. Has the transferee been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes? Attach copies of any correspondence with the applicable regulatory agency(ies)

☒ No ☐ Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

The environmental integrity of the land on which the WOVW WSC System is located will not be impacted or disrupted as a result of this transaction.

20. How will the proposed transaction serve the public interest?

Aqua WSC's service area and water system infrastructure is located in close proximity to the WOVW WSC System. Aqua WSC is currently operating, maintaining, and managing the WOVW WSC System on a contractual basis. Aqua WSC has the existing staff capacity to be responsive to customer needs, and the ability to provide cost-effective, continuous and adequate service to WOVW WSC System customers. Aqua WSC has the financial resources to maintain the WOVW WSC System and meet the regulatory requirements that must be met by a public water system.

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

The following water utilities are located within two (2) miles from the outer boundary of the affected area: Fayette WSC and Lee County WSC.

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

Complete Part F for **EACH** Public Water or Sewer system to be transferred subject to approval of the transaction.
Attach a separate sheet with this information if you need more space for additional systems being transferred.

22. A. For Public Water System (PWS):TCEQ PWS Identification Number: TX0750039 (7 digit ID)Name of PWS: Vista Ranch Water SystemDate of last TCEQ compliance inspection: January 3, 2019 (attach TCEQ letter)Subdivisions served: Vista Ranch Water System**B. For Sewer service:**TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: _____

Name of Permittee: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: _____

Date of application to transfer permit submitted to TCEQ: _____**23. List the number of existing connections, by meter/connection type, to be affected by the proposed transaction:**

Water				Sewer	
	Non-metered		2"		Residential
35	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			35	Total Sewer Connections:	

24. A. Are any improvements required to meet TCEQ or Commission standards?☒ No ☐ Yes**B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):**

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:

C. Is there a moratorium on new connections?☒ No ☐ Yes:**25. Does the system being transferred operate within the corporate boundaries of a municipality?**☒ No ☐ Yes: _____ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: _____ Sewer: _____

26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

☒ No ☐ Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from: _____

Water: _____

Sewer: _____

- B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

☒ No ☐ Yes

- C. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

	Amount in Gallons	Percent of demand
Water:		0.00%
Sewer:		0.00%

- D. Will the purchase agreement or contract be transferred to the Transferee?

☒ No ☐ Yes:

27. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☐ No ☒ Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service: **Please see Attachment "M" for a full list of Aqua WSC's licensed operators.**

Name (as it appears on license)	Class	License No.	Water or Sewer

Part G: Mapping & Affidavits

ALL applications require mapping information to be filed in conjunction with the STM application.
Read question 29 A and B to determine what information is required for your application.

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
 - i. If the application requests to transfer certificated service areas for both water and sewer, separate maps must be provided for each.
 - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.

- iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i. The map must be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made or natural landmarks must be labeled and marked on the map as well.
 - ii. If the application requests an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
 - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
 - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

B. For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:

- 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
- 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
- 3. One of the following identifying the requested area:
 - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part A 2 (above);
 - ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part A 2 (above); or
 - iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
 - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
 - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
 - c. The digital mapping data shall be filed on a data disk (CD or USB drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part H: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 16,642.00

Number of customer connections in the requested area: 35

Affected subdivision : Vista Ranch Water System

The closest city or town: City of Smithville, Texas

Approximate mileage to closest city or town center: 5

Direction to closest city or town: North

The requested area is generally bounded on the North by: Bartons Creek Road or Kirtley Road

on the East by: Bartons Creek Road

on the South by: Vista Ranch Road

on the West by: North Old Smithville Road

31. A copy of the proposed map will be available at: Aqua WSC, 415 Old Austin HWY, Drawer P, Bastrop, TX 78602

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

☐ All of the customers will be charged the same rates they were charged before the transaction.

☒ All of the customers will be charged different rates than they were charged before the transaction.

☐ higher monthly bill ☒ lower monthly bill

☐ Some customers will be charged different rates than they were charged before
(i.e. inside city limit customers)

☐ higher monthly bill ☐ lower monthly bill

Oath for Transferee (Acquiring Entity)

STATE OF TEXAS

COUNTY OF BASTROP

I, Alan Dave McMurry being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, General Manager, Aqua Water Supply Corporation
as (owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Alan Dave McMurry
AFFIANT

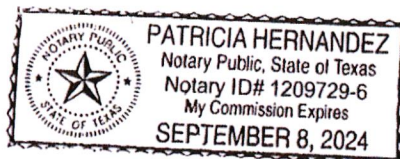
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the 12th of November, 20 20

SEAL



Patricia Hernandez

**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

Patricia Hernandez
PRINT OR TYPE NAME OF NOTARY

My commission expires: September 8, 2024

Oath for Transferor (Transferring Entity)

STATE OF TEXAS

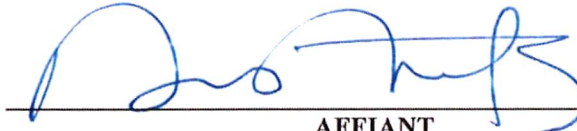
COUNTY OF FAYETTE

I, Dennis Durfey being duly sworn, file this application for sale,
merger, consolidation, acquisition, lease, or transfer,
rental, as President, Waters of Vista Ranch Board of Directors

(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

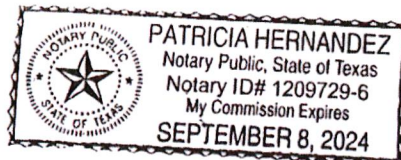



AFFIANT
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas
this day the 12th of November, 2020

SEAL





**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

Patricia Hernandez

PRINT OR TYPE NAME OF NOTARY

My commission expires:

September 8, 2024

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Asset Transfer and Utility System Consolidation Agreement
Of Aqua WSC and Waters of Vista Ranch WSC

**ASSET TRANSFER AND UTILITY SYSTEM CONSOLIDATION AGREEMENT
(Aqua WSC and Waters of Vista Ranch WSC)**

THIS ASSET TRANSFER AND UTILITY SYSTEM CONSOLIDATION AGREEMENT (this "Agreement") by and between **Waters of Vista Ranch Water Supply Corporation**, a nonprofit water supply corporation operating under Chapter 67 of the Texas Water Code and Chapter 22 of the Business Organizations Code ("WOVR") and **Aqua Water Supply Corporation**, a nonprofit water supply corporation operating under Chapter 67 of the Texas Water Code and Chapter 22 of the Business Organizations Code ("Aqua") is made and entered into effective as of the last date of execution below (the "Effective Date"). WOVR and Aqua are individually referred to herein as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, WOVR is the holder of retail water Certificate of Convenience and Necessity NO. 12927 ("WOVR CCN") as recognized by the Public Utility Commission of Texas ("PUC"); and

WHEREAS, WOVR currently has a membership comprised of approximately 35 members, and Aqua's membership is comprised of approximately 21,000 members; and

WHEREAS, WOVR owns and operates a public water system that serves members within the WOVR CCN service area in Fayette County, Texas; and

WHEREAS, Aqua is the holder of retail water Certificate of Convenience and Necessity NO. 10294 ("Aqua CCN") as recognized by the Public Utility Commission; and

WHEREAS, Aqua owns and operates a public water system that serves members within the Aqua CCN service area throughout Bastrop, Travis, Lee, Caldwell, Fayette, and Williamson counties, Texas; and

WHEREAS, Section 67.010 of the Texas Water Code authorizes water supply corporations to enter into contracts for the conveyance of water supply facilities and assets; and

WHEREAS, Section 13.301 of the Texas Water Code requires PUC approval for the sale, merger, or transfer of facilities or assets owned by an entity that is required by law to possess a water utility CCN; and

WHEREAS, WOVR desires and believes it is in its best interest to transfer and convey all of its assets, rights, and obligations to Aqua; and

WHEREAS, the Parties desire to enter into this Agreement in order to set forth the terms and conditions pursuant to which WOVR will convey to Aqua all of WOVR's right, title and interest in, to and under all of the assets of WOVR, and all duties, obligations and liabilities of WOVR.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I RECITALS AND DEFINITIONS

Section. 1.1. **Recitals**. The Parties agree that the recitals above, including defined terms, are incorporated herein by reference for all purposes as if copied verbatim.

Section. 1.2. **Definitions**.

A. **Definitions**. Terms as used in this Agreement will have the following meanings:

“*Agreement*” has the meaning assigned to such term on the first page hereof.

“*Aqua*” has the meaning set forth on the first page hereof.

“*Aqua CCN*” means the certificated water service territory of Aqua including the former WOVN CCN after transfer thereof to Aqua and final approval of such transfer by PUC in accordance with the terms of this Agreement.

“*Aqua Closing Certificate*” means a document provided to WOVN by Aqua containing the items listed in Section 7.6(B).

“*Aqua Required Consents*” has the meaning assigned to such term in Section 7.1.

“*Assets*” has the meaning assigned to such term in Section 3.1.

“*Assignment*” has the meaning assigned to such term in Section 9.3(B).

“*Assumed Liabilities*” has the meaning assigned to such term in Section 3.4.

“*Best Efforts*” means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible,

“*CCN*” means a certificate of convenience and necessity.

“*Closing*” has the meaning set forth in Section 9.1.

“*Closing Date*” has the meaning set forth in Section 9.1.

“*Contracts*” has the meaning assigned to such term in Section 3.2(B).

“*Deed*” has the meaning assigned to such term in Section 9.3(A).

“*Effective Date*” has the meaning set forth on the first page hereof.

"Facilities" mean those items described in Section 3.2(A).

"Insurance Proceeds" has the meaning assigned to such term in Section 8.1.

"Member" means any retail water service customer of WOV.

"Other Assets" has the meaning assigned to such term in Section 3.2(D).

"Permitted Exceptions" has the meaning assigned to such term in Section 4.4.

"Person" an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity, or a governmental body.

"WOV" has the meaning assigned to such term set forth on the first page hereof.

"WOV CCN" has the meaning set forth in Section 7.3(B).

"WOV Closing Certificate" means a document provided to Aqua by WOV containing the items listed in Section 7.6(A).

"WOV Debt" means WOV's current debt obligations attributable to the Assets as described in Section 5.1.

"WOV Required Consents" has the meaning assigned to such term in Section 7.2.

"Property" means the property described in Section 3.2(C).

"PUC" means the Public Utility Commission of Texas.

"Required Consents" mean those items described in Section 7.2.

"Review Items" has the meaning assigned to such term in Section 4.1.

"Review Period" has the meaning assigned to such term in Section 4.2.

"Tangible Assets" has the meaning assigned to such term in Section 3.2(A).

"Title Objections" has the meaning assigned to such term in Section 4.4.

B. Construction. When required by the context, the gender of words in this Agreement includes the masculine, feminine and neuter genders, and the singular includes the plural (and vice-versa). Unless otherwise specified, references in this Agreement to (i) Sections are to Articles and Sections of this Agreement, (ii) Schedules, Exhibits or Annexes are to those attached hereto, each of which is incorporated herein and made a part hereof for all purposes, (iii) Article and Section headings are for convenience only and shall not affect the interpretation of this Agreement, (iv) the terms "herein," "hereof," "hereinafter" or similar derivations are to this Agreement as a whole and not to any particular Article or Section, and (v) the terms "include," "including" or similar derivations are without limitation.

ARTICLE II STATEMENT OF INTENT; STATEMENT OF AUTHORITY; PRIOR AGREEMENTS

Section. 2.1. **General.** The general purpose of this Agreement is to provide for the conveyance by WOVV to Aqua at Closing of all of WOVV's right, title and interest in, to and under all of the Assets, and all duties, obligations and liabilities of WOVV.

Section. 2.2. **Prior Agreements.** As of the Closing Date, all contracts or other agreements entered into by and between WOVV and Aqua prior to the Effective Date shall terminate for all purposes and shall be of no further force or effect.

ARTICLE III TRANSFER OF ASSETS AND LIABILITIES

Section. 3.1. **Transfer of WOVV Assets to Aqua.** Subject and pursuant to the terms and conditions set forth in this Agreement, on the Closing Date, WOVV will transfer and convey to Aqua, and Aqua will receive and accept from WOVV, all of WOVV's right, title, and interest in, to and under all of the assets, properties, and rights of every kind and nature, whether real, personal, or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired which comprise, or are used or held for use in connection with, the water service provided by WOVV (collectively, the "Assets"). The Assets will be transferred on the Closing Date, AS-IS with no warranties, representations, guarantees, other than third-party warranties related to status or condition of the Assets to the extent same are assignable. WOVV shall use its Best Efforts to identify by not later than sixty (60) days after the Effective Date in writing to Aqua all third-party warranties related to the Facilities that are assignable to Aqua as part of the Contracts below. Specifically, except for the representations and warranties of WOVV set forth in Section 7.2, WOVV makes no representations to Aqua about the Assets or the Assumed Liabilities with respect to any defects, impairments, impediments, defaults, breaches, encumbrances or other similar problems existing, including but not limited to problems with:

- A. the quality, design, construction, layout, or physical condition or state of repair of the Assets;
- B. the location of the Assets in any flood plain, flood way, or flood prone hazard area;
- C. the Assets' compliance with any laws, rules, ordinances, statutes, or regulations of any applicable governmental authority or regulatory agency, including zoning and other land use regulations; and
- D. the Assets' compliance with any applicable lawful, enforceable environmental protection, pollution, or related or similar land-use laws, rules, regulations, orders or requirements.

Section. 3.2. **Description of Assets.** The Assets include, without limitation, the Facilities, Contracts, Property, and Other Assets as follows:

- A. **Facilities.** All of the (i) water production, treatment, water lines, and distribution system facilities owned by WOVV as of Closing, together with all improvements,

structures, storage facilities, service pumps, air compressors, electrical equipment, machines, and other equipment and Tangible Assets (collectively the "Facilities"). "Tangible Assets" shall include, but is not limited to, all equipment owned by WOVN as of Closing to directly or indirectly operate, own, maintain, acquire, or utilize the Facilities.

- B. Contracts. All contracts, leases, option rights, permits, certificates, licenses, reimbursement rights, service agreements, deposits, warranties from vendors or manufacturers or other third parties, regulatory correspondence, as-built plans and specifications, engineering reports, files, records, information, data, and other such assets of WOVN that are related to the ongoing operation and ownership of the Assets, including but not limited to those more particularly described on Exhibit A-1 attached hereto and incorporated herein for all purposes (collectively referred to herein as the "Contracts"). WOVN will cooperate with Aqua to obtain all necessary approvals for the assignment of any Contracts. The Contracts will be transferred on the Closing Date, AS-IS with no warranties, representations or guarantees, other than third-party warranties related to the Facilities to the extent same are assignable.
- C. Property. All land and interests therein, including without limitation contract rights, easements, licenses and rights-of-way owned or held by WOVN as of Closing, including but not limited to the land and interests more particularly described on Exhibit A-2 attached hereto and incorporated herein by reference for all purposes, together with all and singular the rights, privileges, and appurtenances, if any, pertaining to said land and interests therein, including any right, title, and interest of WOVN in and to adjacent streets, alleys, or rights-of-way, together with any improvements, fixtures, and personal property of WOVN situated on and attached to said land and interests therein (collectively referred to herein as the "Property"). The Property will be transferred, on the Closing Date, AS-IS, with no warranties, representations or guarantees.
- D. Cash, Marketable Securities, and Other Assets. All cash, cash equivalents, stocks, bonds, equity holdings, marketable securities, personal property, and other assets owned or held on behalf of WOVN as of Closing, including but not limited to the assets listed on Exhibit A-3 attached hereto and incorporated herein by reference for all purposes (collectively referred to as "Other Assets"). Other assets will be transferred on the Closing Date, AS-IS, with no warranties, representations, or guarantees. The Other Assets shall include the monies within any bank account or deposit account of WOVN, but all such accounts shall be closed after transfer of funds to Aqua.

Section. 3.3. **Assumption of Liabilities**. Subject to the terms and conditions set forth herein, on the Closing Date, Aqua shall assume and pay, perform and discharge all of WOVN's liabilities, obligations or commitments of any nature whatsoever, regardless of the date of occurrence giving rise to such liabilities, obligations or commitments, including but not limited to: (i) WOVN's obligations under the Contracts; and (ii) the costs of defense and any liability related to any claims, lawsuits or allegations against WOVN or its individual directors (current or former)

made after Closing regardless of the date of the occurrence giving rise thereto or the nature of such claim (collectively, the "Assumed Liabilities"), which obligation shall survive Closing.

Section. 3.4. **Rights of Ownership, Possession and Assumption of Liabilities.** Upon and after the Closing Date, Aqua shall own and possess the Assets, including the Property, and shall use the Assets and Property for potable water to members served by the Assets in accordance with: (i) this Agreement; (ii) the terms and conditions of Contracts assigned by WOVN to Aqua at Closing; and (iii) applicable legal and regulatory requirements, including the Aqua CCN. In accordance with such ownership and possession, upon and after the Closing Date, Aqua shall have all of the rights necessary to own, operate, control, use, replace, repair and expand the Assets as needed for the provision of retail water services to the public in accordance with this Agreement, and the Contracts assigned by WOVN to Aqua at Closing.

ARTICLE IV REVIEW ITEMS

Section. 4.1. **Review Items.** Following the Effective Date, WOVN will make available at Aqua's request for reasonable inspection and copying (at Aqua's expense) by Aqua during normal working hours at the Facilities or at the offices of WOVN or its agents, the following (the "Review Items"):

- A. Copies of all books, records, operating reports, trade account reports, financial records, audits, accounts payable and receivable lists, utility service agreements, plans and specifications, deeds, easements, surveys, plats or descriptions, vendor contracts, management agreements, maintenance records, purchase or sale contracts, regulatory records and correspondence, deeds, easements, licenses, permits, certificates, soil reports, inspection reports, and engineering reports (including, without limitation, endangered species, environmental, and governmental inspection reports of WOVN related to the ownership or operation of the Assets or relating to or in respect of the physical condition or operation of the Assets); and,
- B. Copies of work papers which reflect the revenues, expenses, cash flows, assets, and liabilities of the Assets and WOVN's most recent budget and forecast related to the Assets; and
- C. Copies of any other documents related to the Assets, excluding confidential attorney-client work product and privileged attorney-client communications of WOVN.

Section. 4.2. **Asset Review.** For a period of one hundred and eighty (180) days beginning on the Effective Date (the "Review Period"), Aqua will have the right, during normal business hours and upon reasonable prior notice to WOVN, to conduct any and all reviews, investigations, environmental assessments and/or examinations of the Review Items and the Assets, which Aqua determines necessary in Aqua's sole and absolute discretion. In the event that Aqua substantially disturbs or disrupts, or damages, any of the Assets during the Review Period, Aqua will be obligated to restore the Assets, at Aqua's sole cost and expense, or any item related thereto substantially to its prior condition to the extent Aqua's review, investigation, or examination

changed same and this obligation will survive any termination of this Agreement. Aqua's review shall not disrupt or impair the provision of continuous and adequate water service by the Facilities. WOVN may, at WOVN's option, accompany Aqua during any such inspections. Notwithstanding any provisions herein or elsewhere to the contrary, Aqua will be entitled to terminate this Agreement on or before the expiration of the Review Period upon written notice to WOVN. If Aqua determines that any property owned by WOVN needs an environmental assessment, the parties may agree to an extension of time to the Review Period.

Section. 4.3. **Electronic Provision of Review Items.** WOVN will use reasonable efforts to make the Review Items available to Aqua in electronic format so that the Review Items may be viewed remotely. Aqua agrees that, for any Review Item that WOVN makes available to Aqua in electronic format, WOVN will have satisfied its obligations under this Section and Section 4.1; *provided, however*, that WOVN will make available to Aqua at the Facilities or offices of WOVN any hard copies of the Review Items at Closing.

Section. 4.4. **Title Commitment.** During the Review Period, Aqua, within its sole discretion and at its sole cost and expense, may also procure a commitment for title insurance on any of the Property set forth on Exhibit A-2 or any Property subsequently discovered. WOVN shall not be required to provide an owner's policy of title insurance for any portions of the Property, but WOVN shall otherwise cooperate with Aqua in the review by Aqua of any title commitment applied for, or obtained by, Aqua. Aqua will have thirty (30) days after receipt of the title commitment with respect to any particular portion of the Property to review such title commitment and to deliver to WOVN written notice by hand delivery or overnight delivery, receipt requested, of any objections to the matters set forth in such title commitment if such title matters demonstrate that WOVN has made any false or misleading covenants or representations in this Agreement. Any items to which Aqua does not object within this 30-day period will be deemed to be "*Permitted Exceptions*." As to items to which Aqua timely makes objections to in writing to WOVN ("*Title Objections*"), WOVN shall have a period of twenty (20) business days during which it may cooperate with Aqua to attempt to effectuate the cure of such objections such that WOVN's covenants or representations in this Agreement are not false and misleading. At the end of said thirty (30) day period (if no objections are made by Aqua) or the twenty (20) business day period (if objections are made by Aqua), Aqua will have the right, as its sole and exclusive remedies, solely with respect to Title Objections not cured by WOVN that could reasonably be expected to have a material adverse effect on the operation of the Assets, to terminate this Agreement; all other Title Objections shall be deemed to have been waived by Aqua.

ARTICLE V WOVN DEBT

Section. 5.1. **Calculation, Estimates, and True-Up of Defeasance Amount.**

- A. **Loans.** WOVN does not have any outstanding loans or debts.
- B. **Payment.** As of the Closing Date, Aqua shall provide payment as necessary to retire in full any WOVN Debt that it does not assume as of such date, and Aqua shall further pay any and all costs and expenses associated with such payoff, such that no

WOVR Debt shall remain outstanding after Closing, except for any WOVN Debt transferred to, and assumed by, Aqua.

ARTICLE VI COVENANTS

Section. 6.1. **Post-Closing Covenants.** As further consideration for the transfer of the Assets to Aqua, Aqua hereby covenants to comply with the following additional obligations:

- (i) **Transfer of Members.** Aqua shall issue certificates of membership or other means of admitting the members into membership in Aqua to those members who have executed membership agreements with WOVN. Aqua acknowledges and agrees that WOVN may not have executed membership agreements with some or all of its customers, and that service agreements have been used by WOVN for such purpose.
- (ii) **Member Classes; Initial Rates and Allocated Overhead.** Aqua shall establish uniform rates as between the existing retail members of Aqua and the former members of WOVN. Aqua shall not create a separate member class that segregates the former residential members of WOVN from the Aqua residential member class.
- (iii) **Use of Fund Balances.** Aqua hereby covenants and agrees that it shall use WOVN's fund balances as of Closing for any lawful purpose directly related to the provision of service to the former members of WOVN, including without limitation, the repair or replacement of the Assets and/or funding of construction of capital improvements that directly serve the lands within the WOVN CCN.

ARTICLE VII REPRESENTATIONS AND COVENANTS

Section. 7.1. **Aqua's Representations and Warranties.** Aqua represents and warrants to WOVN that the following are true, accurate, and complete as of the Effective Date: (a) each of the persons executing this Agreement on behalf of Aqua is duly authorized to do so; (b) Aqua has full right and authority to enter into this Agreement and to consummate the transaction described in this Agreement; (c) this Agreement constitutes the valid and legally binding obligations of Aqua and is enforceable against Aqua in accordance with its terms, subject to applicable law; (d) neither the execution or delivery of this Agreement nor the performance of Aqua's obligations under this Agreement violates, or will violate, any contract or agreement to which Aqua is a party or by which Aqua is otherwise bound; and (e) other than as set forth in Exhibit C (the "Aqua Required Consents"), there are no consents or approvals needed for Aqua to consummate the transactions contemplated by this Agreement; and (f) neither the execution or delivery of this Agreement nor the performance of Aqua's obligations under this Agreement shall cause, or require, Aqua to increase retail rates to former WOVN members in Aqua CCN as a part of closing the transaction described in this Agreement.

Section. 7.2. **WOVR's Representations and Warranties.** WOVR represents and warrants to Aqua that the following are true, accurate, and complete as of the Effective Date: (a) each of the persons executing this Agreement on behalf of WOVR is duly authorized to do so; (b) WOVR has full right and authority to enter into this Agreement and to consummate the transaction described in this Agreement; (c) this Agreement constitutes the valid and legally binding obligations of WOVR and is enforceable against WOVR in accordance with its terms, subject to applicable law; and (d) other than as set forth in Exhibit D (the "WOVR Required Consents") to the knowledge of WOVR, neither the execution or delivery of this Agreement nor the performance of WOVR's obligations under this Agreement violates, or will violate, any contract or agreement to which WOVR is a party or by which WOVR is otherwise bound; and, (e) other than the WOVR Required Consents and together with Aqua Required Consents, (collectively the "Required Consents"), to the knowledge of WOVR there are no consents or approvals needed for WOVR to transfer the Assets to Aqua at Closing as contemplated herein.

Section. 7.3. **Consents and Approvals.**

- A. Unless otherwise provided herein, the Parties acknowledge that the Required Consents must be obtained as a condition of Closing. Beginning on the Effective Date, Aqua shall use commercially reasonable efforts to obtain all Required Consents, including the WOVR Required Consents, and keep WOVR informed of the status of same. WOVR agrees to cooperate with and assist Aqua in obtaining the Required Consents; *provided, however*, that such cooperation and assistance will not require any third-party expenditures or cash expenditures by WOVR. The Parties acknowledge that certain of the Contracts, including certain developer service agreements and water supply contracts, require the consent of another party as a condition of WOVR's assignment of said agreements and Aqua's assumption of WOVR's rights and obligations under said Contracts. All third party consents required for assignment of the Contracts shall qualify as Required Consents. However, if Aqua is unable to secure all consents required for assignment of Contracts, Aqua and WOVR may mutually agree in writing to proceed to Closing without obtaining the consent for said agreements and contracts. If all Required Consents have not been received within one year after the Effective Date and the Parties do not mutually agree in writing to extend the period for securing the Required Consents, then this Agreement shall terminate.
- B. The Parties shall use their respective Best Efforts to obtain PUC approval for the transfer of WOVR certificate of convenience and necessity number 10420 ("WOVR CCN") and the Assets to Aqua. Aqua shall be responsible to prepare and file the application to the PUC regarding the transfer of the CCN and Assets, as set forth in Section 7.5(A). The Parties acknowledge that WOVR has an outstanding loan to CoBank, and that in order to proceed with the proposed acquisition, this loan must be paid off or transferred to (and assumed by) Aqua at or prior to at Closing. Such matters shall be Required Consents for purposes of this Agreement.
- C. **WOVR Membership Approval.** WOVR agrees to use good faith efforts to conduct a membership meeting prior to the expiration of the Review Period pursuant to which it shall seek member approval for: (i) transfer of the Assets, debts, contractual

rights, obligations of WOVN and the WOVN CCN to Aqua as contemplated in this Agreement; and (ii) dissolution of WOVN after Closing. If membership approval is not received prior to the expiration of the Review Period, then except as otherwise agreed by the Parties, this Agreement shall terminate as of expiration of the Review Period.

Section 7.4 **WOVN's Covenants.** In addition to WOVN's and Aqua's other agreements and undertakings hereunder, WOVN hereby covenants and agrees with Aqua that:

Notices Received. WOVN, at its sole cost and expense, will promptly deliver to Aqua copies of any written notices or promptly inform Aqua of any other notices received or of which WOVN gains actual knowledge and possession alleging the occurrence of any default or alleged default under any of the contracts included in the Assets, or any violation or alleged violation of any law, regulation, order, or other requirement of any governmental authority having jurisdiction over the Assets, including a proposed compliance order, or any tort claims relating to WOVN's ownership or operation of the Assets.

Section 7.5 **Aqua's Covenants.** In addition to WOVN's and Aqua's other agreements and undertakings hereunder, Aqua hereby covenants and agrees with the WOVN that:

A. **Notice and Application to Public Utility Commission of Texas.** Aqua, at Aqua's sole cost and expense, will deliver to the PUC or its successor, all required applications for approval, if any, with respect to the proposed change in ownership of the Assets and transfer of the WOVN CCN to Aqua within ninety (90) days after expiration of the Review Period. Aqua will seek diligently any PUC approval of same. WOVN will have the right to review any filings made with the PUC by Aqua prior to the filing of same. WOVN will otherwise cooperate and assist Aqua to the extent reasonably necessary in obtaining such approvals.

B. **D&O Insurance.** It shall be a condition of Closing that WOVN obtain at or prior to the Closing Date one or more "tail" insurance policies, in a form acceptable to WOVN and an amount not less than \$5,000,000 (or such other amount determined appropriate by WOVN) with a claims period of at least five years (or such lesser period determined appropriate by WOVN) from the Closing Date or until WOVN is dissolved, whichever is sooner, with respect to directors' and officers' liability insurance for claims against WOVN directors arising from facts or events that occurred prior to the Closing Date, including any claims arising out of this Agreement.

C. **Dissolution.** On or after the Closing Date, Aqua hereby agrees to undertake and fund the actions necessary to dissolve the WOVN and bear all costs associated with the dissolution. On and after the Closing Date and until dissolution, Aqua shall bear all costs associated with all of the remaining debts, audits, regulatory filings, insurance coverage, administration, existence and any other financial obligations of the WOVN until such time as it is dissolved, and shall fund or pay all such costs and expenses on a timely basis. Without limitation, Aqua will fund and pay costs of WOVN elections, premiums for the insurance required hereunder, and all costs and expenses arising from or related to, and

defending against, any claims against WOVN and its individual directors. Aqua acknowledges and agrees that as of the Closing Date, WOVN shall have no funds, assets or access to financing available to it, except for the Escrowed Assets in accordance with the terms and conditions of the Closing Escrow Agreement.

- D. Operating Expenses. Except as otherwise agreed by the Parties, WOVN shall fund all reasonable and necessary operating and administrative costs and expenses incurred by WOVN prior to Closing.

Section 7.6 Closing Updates.

A. At Closing, WOVN will provide to Aqua, the WOVN Closing Certificate (so called herein) which will certify, represent, and warrant to Aqua, as of the date of Closing, that (i) each covenant contained in Section 7.4 has been fully satisfied, and (ii) each of the representations and warranties contained in Section 7.2 are and continue to be true and correct on the date of Closing, *provided*, should an event occurring during the pendency of this Agreement make any of such representations and warranties not correct on the date of Closing, such noncompliance will be indicated and described on the WOVN Closing Certificate. The obligation of Aqua to close this transaction is expressly conditioned upon the representations and warranties contained in Section 8.2 hereof being true and correct on the date of Closing and the covenants contained in Section 8.4 hereof being fully satisfied on the date of Closing.

B. At Closing, Aqua will provide to WOVN an Aqua Closing Certificate (so called herein) which will certify, represent and warrant to WOVN, as of the date of Closing, that (i) each covenant contained in Section 7.5(A) and (B) has been fully satisfied, and (ii) each of the representations and warranties contained in Section 7.1 are and continue to be true and correct on the date of Closing, *provided*, should an event occurring during the pendency of this Agreement make any of such representations and warranties not correct on the date of Closing, such noncompliance will be indicated and described on Aqua Closing Certificate. The obligation of WOVN to close this transaction is expressly conditioned upon the representations and warranties contained on Section 7.1 being true and correct on the date of Closing and the covenants contained in Section 7.5(A) and (B) being fully satisfied on the date of Closing.

ARTICLE VIII CASUALTY PRIOR TO CLOSING

Section. 8.1. Casualty. In the event the Assets or any part thereof should be damaged by any casualty prior to Closing, WOVN will provide to Aqua, at Closing or any date of receipt of said funds after Closing, any funds actually received by WOVN from its third-party insurer as insurance proceeds relating to such casualty (the "Insurance Proceeds") for repair or replacement of the damaged property, and the sale will be closed without the WOVN repairing any such damage if repair or replacement is not necessary for continued operation of the Assets pending Closing. If repair or replacement is necessary for the provision of continuous and adequate service by WOVN pending Closing, or if required to meet regulatory requirements, WOVN will repair or replace any

damaged property necessary for continued operation of the Assets. WOVR will apply insurance proceeds received, if any, in replacement of the damaged property to such repair or replacement.

ARTICLE IX CLOSING

Section. 9.1. **Time and Place of Closing.** Subject to the deadlines set forth in Section 9.2 below, the closing of the transaction contemplated by this Agreement (the "Closing") shall take place on the later of (i) not longer than 90 days after all Required Consents are obtained; or (ii) such other date as may be agreed between the Parties or as provided in Section 10.2 below (such date, the "Closing Date"). The Closing will be held at 10:00 a.m., local time on the Closing Date, at the offices of Aqua or at such other time and place as may be agreed between Parties. All matters to take place at the Closing will take place simultaneously, and no delivery will be considered to have been made until all such proceedings have been completed.

Section. 9.2. **Conditions to Closing.** Notwithstanding anything in this Agreement to the contrary, it is specifically agreed that neither WOVR nor Aqua will be under any obligation to close the transaction(s), or any portion thereof, contemplated by this Agreement, until:

- A. the WOVR Debt has been paid off or assigned to (and assumed by) Aqua as of Closing;
- B. all required notices or governmental approvals, if any, including, without limitation, any notification to, consent by, or approval from PUC, have been given or obtained;
- C. the closing deliveries set forth in Section 9.3 and Section 9.5 have been delivered by the applicable Party;
- D. all Required Consents have been obtained by Aqua, as applicable.

If any or all of these conditions have not occurred within two years from the Effective Date, then the Closing Date may be extended by mutual written agreement of the Parties. If the Parties do not mutually agree in writing to such extension and Closing does not occur within two years after the Effective Date, then this Agreement shall automatically terminate two years after the Effective Date.

Section. 9.3. **WOVR Deliveries.** At the Closing, WOVR will deliver or cause to be delivered to Aqua, at WOVR's sole cost and expense, each of the following items:

- A. A duly executed and acknowledged Deed and Assignment of Easements, in substantially the form attached hereto as Exhibit D (the "Deed").
- B. A Bill of Sale and Assignment, in substantially the form attached hereto as Exhibit E ("Assignment"), duly executed by the WOVR.
- C. The WOVR Closing Certificate duly executed and acknowledged by WOVR.

- D. Copies of documents evidencing that WOVN has obtained all the WOVN Required Consents.
- E. Any other additional documents and instruments as in the mutual opinion of Aqua's counsel and WOVN's counsel are reasonably necessary to the proper consummation of this transaction.
- F. All combinations and/or keys to all locks related to the Assets.
- G. To the extent reasonably available, the originals of all matters agreed to be transferred to Aqua at Closing, unless otherwise noted, pursuant to Section 4.1.

Section. 9.4. **WOVN's Disclaimer of Warranty.** NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, AQUA ACKNOWLEDGES AND AGREES THAT UPON THE CLOSING, IT IS ACCEPTING THE ASSETS IN THEIR "AS-IS, WHERE-IS" CONDITION "WITH ALL FAULTS" AND DEFECTS AS OF THE CLOSING AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS, OR GUARANTEES, EITHER EXPRESS OR IMPLIED, AS TO THEIR LOCATION, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY, OR ANY OTHER WARRANTY OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM OR ON BEHALF OF WOVN OTHER THAN THIRD-PARTY WARRANTIES RELATED TO THE SYSTEM TO THE EXTENT SAME ARE ASSIGNABLE. Any instruments of transfer for the Assets and the debt will reference this agreement.

Section. 9.5. **Aqua Delivery.** At the Closing, Aqua will deliver to WOVN the following items:

- A. The Closing Certificate.
- B. The Assignment duly executed by Aqua.
- C. The Deed duly executed by Aqua.
- D. Evidence satisfactory to WOVN that Aqua has assumed or paid the WOVN Debt and any costs and expenses associated with the assumption or repayment of the WOVN Debt.
- E. Such evidence or documents as may reasonably be required by WOVN evidencing the authority of the person or persons who are executing the various documents on behalf of Aqua in connection with the sale of the Assets.
- F. Copies of documents evidencing that Aqua has obtained all Required Consents.
- G. Evidence that each agreement to which WOVN is a party will either terminate or assign to Aqua the rights and obligations of the underlying agreement and such termination or assignment will release and fully discharge WOVN from any obligations under or related to the underlying agreement.

- H. Any other additional documents or instruments as in the mutual opinion of Aqua's counsel and WOV's counsel are reasonably necessary to the proper consummation of this transaction.

Section. 9.6. **Title and Possession.** Title and possession of the Assets will be delivered to Aqua by WOV at the Closing.

Section. 9.7. **Costs and Expenses.** Unless otherwise set forth herein, all costs and expenses in connection with the transaction contemplated by this Agreement will be borne by Aqua, including but not limited to costs of assuming or paying WOV Debt.

ARTICLE X TERMINATION & REMEDIES

Section. 10.1. **Term.** This Agreement shall remain in full force and effect until final dissolution of WOV, except as otherwise provided in Section 10.2 below. Any covenants that relate to Aqua's obligations after Closing shall survive Closing.

Section. 10.2. **Termination Prior to Closing.** Notwithstanding anything in this Agreement to the contrary, this Agreement may not be terminated prior to Closing except as follows:

- A. by mutual consent in writing of Aqua and the WOV;
- B. by Aqua, if WOV breaches in any material respect any of the representations, warranties, covenants or other agreements of WOV contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within fifteen (15) days after the giving of written notice by Aqua to WOV specifying such breach;
- C. by WOV, if Aqua breaches in any material respect any of the representations or warranties, covenants or other agreements of Aqua contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within fifteen (15) days after the giving of written notice by WOV to Aqua specifying such breach;
- D. by WOV, if any lawsuit is filed against WOV or against any of the individual members of the Board of Directors of WOV challenging the validity of this Agreement, the authority of WOV to enter into or perform its obligations under this Agreement, or challenging the transactions that are contemplated herein;
- E. by either WOV or Aqua, if any court or any other governmental authority issues a final and non-appealable order prohibiting such Party from consummating the sale and purchase of the Assets as provided herein;
- F. by either WOV or Aqua, if satisfaction of any of the conditions in Section 9.2 is or becomes impossible and the other Party has not waived such condition in writing; *provided*, that in each case the failure to satisfy the applicable condition or

conditions has occurred by reason other than (i) through the failure of terminating Party to comply with its obligations under this Agreement or (ii) the terminating Party's failure to provide its closing deliveries on the Closing Date as a result of the terminating Party not being ready, willing and able to close the transaction contemplated in this Agreement on the Closing Date;

- G. automatically if the Closing has not occurred by the second anniversary of the Effective Date, unless the Parties mutually agree in writing to extend the Closing Date beyond the second anniversary of the Effective Date; and
- H. by Aqua pursuant to Section 4.2 and Section 4.4.

Section. 10.3. **Effect of Termination.** In the event that this Agreement is terminated pursuant to Section 10.2, all further obligations of the Parties under this Agreement shall terminate without further liability of any party to another; *provided*, that (a) the provisions of this Section 10.3 shall survive any such terminations and (b) in the event this Agreement is terminated pursuant to Section 10.2B or Section 10.2C nothing in this Section 10.3 shall relieve Aqua or WOVR of any liability for an intentional breach of any representation, warranty, covenant or other agreement herein on or prior to the date of termination and the Parties shall be entitled to seek the remedy of specific performance of this Agreement.

Section. 10.4. **Aqua's Remedies:** Notwithstanding any provision of this Agreement to the contrary, in the event WOVR fails or refuses to timely comply with WOVR's obligations hereunder or is unable to do so as the result of WOVR's act or failure to act, or at Closing any of WOVR's representations, warranties or covenants contained herein is untrue, has been breached, or is unsatisfied, Aqua shall have the following options: (i) to terminate the Agreement by giving WOVR timely written notice of termination prior to or at Closing, and thereupon this Agreement shall terminate according to the terms of Section 10.3 of this Agreement, or (ii) to waive, prior to or at Closing, as applicable, the applicable objection or condition and proceed to close the transaction contemplated hereby in accordance with the remaining terms hereof.

Section. 10.5. **WOVR's Remedies.** Notwithstanding any provision of this Agreement to the contrary, in the event Aqua fails or refuses to timely comply with Aqua's obligations hereunder or is unable to do so as the result of Aqua's act or failure to act, WOVR shall have the following options: (i) to terminate the Agreement by giving Aqua timely written notice of termination prior to or at Closing, and thereupon this Agreement shall terminate according to the terms of Section 10.3 of this Agreement, or (ii) to waive, prior to or at Closing, as applicable, the applicable objection or condition and proceed to close the transaction contemplated hereby in accordance with the remaining terms hereof.

ARTICLE XI INDEMNIFICATION AND RELEASE

Section. 11.1. **Indemnification and Release of WOVR.** AS OF THE CLOSING DATE AND TO THE EXTENT ALLOWED BY LAW, AQUA, FOR ITSELF, ITS LEGAL REPRESENTATIVES AND ASSIGNS, DOES HEREBY AGREE TO RELEASE,

ACQUIT, FOREVER DISCHARGE AND AGREE TO INDEMNIFY AND DEFEND WOVR, ITS SUCCESSORS, ASSIGNS, DIRECTORS, OFFICERS, AGENTS, ATTORNEYS AND EMPLOYEES FROM ANY AND ALL MANNER OF ACTIONS, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS, JUDGMENTS, DAMAGES, LIABILITIES, AND CLAIMS FOR DAMAGES OF EVERY KIND AND CHARACTER, KNOWN AND UNKNOWN, PAST, PRESENT, AND FUTURE, INCLUDING, BUT NOT LIMITED TO CLAIMS OF WOVR'S OWN NEGLIGENCE, GROSS NEGLIGENCE, STRICT, COMPARATIVE, OR JOINT ENTERPRISE LIABILITY IN CONNECTION WITH, RESULTING FROM OR ARISING OUT OF (A) ANY ENVIRONMENTAL CONDITION EXISTING ON OR PRIOR TO THE CLOSING DATE WHETHER KNOWN OR UNKNOWN, (B) ANY TITLE OBJECTIONS; (C) ANY CONTRACTUAL OBLIGATIONS AND REQUIREMENTS IMPOSED UPON AQUA IN ANY OF THE CONTRACTS OR BY THE ASSETS, AND (D) ANY ALLEGED BREACH OR MISREPRESENTATION IN THIS AGREEMENT, OR OTHERWISE RELATING TO OR ARISING OUT THIS AGREEMENT, THE ASSETS TRANSFERRED TO AQUA, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. THE OBLIGATION OF AQUA AND AQUA TO INDEMNIFY AND DEFEND WOVR SHALL SURVIVE UNTIL WOVR IS DISSOLVED.

ARTICLE XII GENERAL PROVISIONS

Section. 12.1. **Notices.** All notices and other communications hereunder will be in writing and will be delivered by one of the following means: hand delivery; expedited courier delivery; mailed by registered or certified mail, return receipt requested, postage prepaid; or, electronic mail, *provided*, that a duplicate of the same notice or communication is also mailed by first-class mail on the same date of the electronic mail. All notices and communications hereunder will be addressed as follows, and will be effective upon actual delivery if delivered by hand or by expedited courier delivery or, if mailed, three (3) business days after deposit in the United States mail:

- (a) If to WOVR, to:

General Manager
P. O. Box 1042
Smithville, TX 78957

- (b) If to Aqua, to:

General Manager
415 Old Austin Hwy
Bastrop, TX 78602

Any party may change its address for receiving notice by giving notice of a new address in the manner herein; *provided, however*, if mailed, notice of such new address will be effective only upon actual receipt by the other parties.

Section. 12.2. **Headings and Defined Terms.** Descriptive headings are for convenience only and will not control or affect the meaning or construction of any provision of this Agreement.

Section. 12.3. **Assignment.** Assignment of this Agreement by the Parties is prohibited without the prior written consent of the other party. This Agreement will be binding upon and inure to the benefit of the Parties and their successors and assigns.

Section. 12.4. **Governing Law and Forum.** This Agreement will be construed and interpreted in accordance with the law of the State of Texas and the obligations of the Parties hereto are and will be performable in Caldwell County. By executing this Agreement, each party hereto expressly (a) consents and submits to personal jurisdiction and venue consistent with the previous sentence, (b) waives, to the fullest extent permitted by law, all claims and defenses that such jurisdiction and venue are not proper or convenient, and (c) consents to the service of process in any manner authorized by Texas law.

Section. 12.5. **No Oral Modification.** This Agreement may not be modified or amended, except by an agreement in writing signed by all of the Parties to this Agreement.

Section. 12.6. **No Oral Waiver.** The parties may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver will be effective only if in writing and signed by the party waiving such conditions or obligations. No waiver or waivers of any breach or default (or any breaches or defaults) of any term, covenant, condition or liability under this contract, or of performance by the other parties of any duty or obligation under this contract, will be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section. 12.7. **Time of Essence.** Time is of the essence of this Agreement.

Section. 12.8. **Entire Agreement.** This Agreement, including the Exhibits hereto, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the Parties in connection therewith. No representation, warranty, covenant, agreement, or condition not expressed in this Agreement will be binding upon the Parties hereto or will affect or be effective to interpret, change, or restrict the provisions of this Agreement except by an amended agreement in writing signed by the Parties.

Section. 12.9. **Partial Invalidity.** If any clause or provision of this Agreement is or should ever be held to be illegal, invalid, or unenforceable under any present or future law applicable to the terms hereof, then and in that event, it is the intention of the Parties hereto that the remainder of this Agreement will not be affected thereby, and that in lieu of each such clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as part of this Agreement a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable such that the intention of the Parties is effected as closely as is possible.

Section. 12.10. **Counterpart Execution.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which shall constitute but one agreement. Delivery of a signature to this Agreement by facsimile transmission or electronic

mail in "portable document format" shall have the same effect as physical delivery of the paper document bearing the original signature.

Section. 12.11.**Holidays.** In the event that the date upon which any duties or obligations hereunder to be performed will occur upon a Saturday, Sunday or legal holiday, then, in such event, the due date for performance of any duty or obligation will thereupon be automatically extended to the next succeeding business day.

Section. 12.12.**Exhibits.** The following Exhibits are attached hereto:

Exhibit A-1	Contracts and Agreements
Exhibit A-2	Property
Exhibit A-3	Other Assets
Exhibit B	Aqua Required Consents
Exhibit C	WOVR Required Consents
Exhibit D	Deed and Assignment of Easements
Exhibit E	Bill of Sale and Assignment

Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the Parties hereto and their successors and assigns, any benefits, rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, each party hereto has signed this Agreement or caused this Agreement to be signed in its corporate name by its officer thereunto duly authorized, all as of the date first above written.

[Signature pages to follow]

EXHIBIT A

WOVR WATER SUPPLY CORPORATION

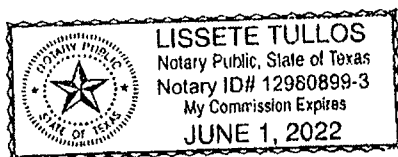
By: [Signature]
Name: Dennis D. Durfee
Title: President

[Signature]
Secretary/Treasurer

ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF FAYETTE §

This instrument was acknowledged before me on this 18 day of September, 2020, by Dennis Durfee, Betty Outlaw of WOV Water Supply Corporation, a Texas nonprofit water supply corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Texas

AQUA WATER SUPPLY CORPORATION

By: Dave McMurry

Name: Dave McMurry

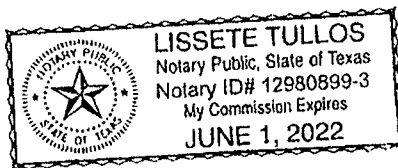
Title: General Manager

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF Bastrop §

This instrument was acknowledged before me on this 18 day of September, 2020, by Dave McMurry General Manager of Aqua Water Supply Corporation, a Texas nonprofit water supply corporation, on behalf of said corporation.



Lisette Tullos
Notary Public, State of Texas

Attachment “B” – Question 1

Description of Uncertified Area to be Acquired
by Aqua WSC

Aqua WSC's Interest in Adding Uncertified Territory in Fayette County

Aqua WSC has multiple reasons to add the territory in Fayette County near the Waters of Vista Ranch WSC ("WOVR WSC") that is not currently within a retail water CCN service area to Aqua WSC's retail water CCN service area:

The reasons are as follows:

1. WOVR WSC's retail water CCN service area is a CCN service area that only covers WOVR WSC's existing water lines and infrastructure. Aqua WSC needs to add the territory around WOVR WSC's current retail water CCN service area to help with Aqua WSC's planning for providing retail water service in the WOVR WSC area.

2. Aqua WSC wishes to fill in a gap in Fayette County regarding CCN service areas and to address the question of which entity will potentially be responsible for providing retail water service in the area. There is an area of Fayette County located adjacent to Aqua WSC's existing CCN service area, near the WOVR WSC CCN service area, and between the existing CCN service areas of Aqua WSC and Fayette County WSC and filling in this gap of uncertificated territory would assist Aqua WSC's in its future planning, including water supply planning.

Attachment “C” – Question 4

Waters of Vista Ranch WSC Tariff

Tariff

Waters of Vista Ranch Water Supply Corporation

Rates & Policies

Standard Residential Service Rates

Monthly Minimum:	\$ 50
Water Included w/ Minimum Bill:	/gallons

Tier (gal.):	\$/1,000 gal.
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2,001-10,000	\$ 3.50
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10,001-20,000	\$ 4.00
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20,001 +	\$ 8.00
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You are responsible for reading your meter each month. There is a place on your bill for your meter reading. WVR does a quarterly meter reading and if we read your meter for you there is a \$30 charge.

METER SET INFORMATION

NO ESTIMATES WILL BE MADE UNTIL A COMPLETED APPLICATION HAS BEEN RECEIVED.

- (1) Application must be completed by owner.
- (2) Service agreement must be completed and signed by owner.
- (3) Copy of deed with volume and page with title policy attached or copy of the contract for deed; and a copy of the survey plat with field notes of the property.
- (4) After the applicant has met all requirements, WVR will then: (i) install a tap, meter, and cut-off valves within the boundaries of the parcel of land or lot to be served; (ii) take all necessary actions to initiate service.

It is the policy of WVR to require one paid meter and tap for each residence and dwelling for human habitation. The board will detect possible multiple dwellings on one meter, communicate verbally and in writing to the suspected violating party and/or parties, and require payment for the setting of additional water meters for the dwellings.

Noncompliance shall constitute disconnection from WVR's system and a reconnection fee will be required.

Service Disconnection Information

WVR -- Service Disconnection

A member's utility service may be disconnected if a bill has not been paid and proper notice has been given.

Proper notice shall consist of a separate mailing or hand delivery at least five (5) days prior to a stated date of disconnection, with the words "termination notice" or similar language prominently displayed on the notice. If applicable, the notice must also list the past due balance.

Service may be disconnected after proper notice for any of the following reasons:

1. Failure to pay a delinquent account or to comply with a deferred payment agreement;
2. Willful violation of a usage rule when that violation interferes with another member's service;
3. Failure to comply with valid deposit or guarantee arrangements;
4. Upon discovery by WVR that the property has been subdivided in violation of applicable county subdivision ordinances;
5. Upon discovery by WVR that more than one dwelling is connected to a single meter on the property, unless the present members pay each month and WVR has accepted the appropriate multiple of the Monthly Customer Charge;
6. Upon discovery by WVR that one meter is serving more than one dwelling and the dwellings are located on separate parcels of land;
7. A member has failed to have a customer service inspection performed or has failed to provide access to the service location for the purpose of performing a customer service inspection; or

Service may only be disconnected without notice:

1. When a known dangerous condition exists, for as long as the condition exists;
2. When service is established through meter bypassing, an unauthorized connection or unauthorized reconnection; or

3. In instances of tampering with WVR's meter or equipment.

A residential member may request a delay of disconnection of service upon establishing that disconnection of service will result in some person residing at that residence becoming seriously ill or more seriously ill if service is disconnected. Each time a member seeks to avoid termination of service under this provision, the member must have the attending medical doctor call or contact WVR within 15 days of the issuance of the bill. A written statement must be received by WVR from the attending medical doctor within 20 days of the issuance of the bill. Upon receipt of the doctor's written statement, WVR may, at the discretion of the General Manager or Board of Directors, delay disconnection of service for a period not exceeding 45 days from the issuance of the bill. At the discretion of the General Manager or Board of Directors, WVR may allow the member to enter into a deferred payment plan.

Customer Service Inspections

Customer Service Inspection Fee

\$ 70.00

The State of Texas mandates that any requests for new service from a public water supply include a Customer Service Inspection conducted by a licensed inspector. The customer service inspections shall also be conducted when there is a request to transfer service from a membership that has never had an inspection, and whenever there is a request to reconnect service after service has been discontinued for a year.

WVR -- Customer Service Inspections

A customer service inspection certification conforming to Texas Commission on Environmental Quality Regulations, which is currently codified as 30 TAC § 290.46(j), must be completed for all new connections and for existing service locations where WVR has reason to believe that cross-connections or other unacceptable plumbing practices exist, or after any material improvement, correction, or addition to the private plumbing facilities. A Customer Service Inspection Fee will be collected at the time an application for service is made. For existing service locations where a customer service inspection is required by WVR, a Customer Service Inspection Fee will be added to the member's monthly bill. The inspection must be conducted and the certification completed by a qualified person who has entered a contract with WVR. A customer service inspection certification form must be completed, signed by the person performing the inspection, and filed with WVR before water service will be provided or continued.

The inspection will be based on the conditions existing at the service location at the time the meter is set. If any material improvement, correction, or addition to the private plumbing facilities occurs, the member shall have an additional customer service inspection performed for the service location. For example, in cases where water service is provided to facilitate construction of a new residence or other structure, a customer service inspection must be performed for the new structure and a properly completed customer service inspection certification form must be filed with WVR before occupancy of the structure occurs. Upon WVR's discovery that there has been a change in service conditions and an appropriate inspection certification form has not been filed, service to the location will be disconnected, unless a properly completed certification form is filed at WVR within 30 days after the date that WVR provides notice. Service will not be restored until after the customer service inspection is performed.

Service Disconnection Information

WVR -- Service Disconnection

A member's utility service may be disconnected if a bill has not been paid and proper notice has been given.

Proper notice shall consist of a separate mailing or hand delivery at least five (5) days prior to a stated date of disconnection, with the words "termination notice" or similar language prominently displayed on the notice. If applicable, the notice must also list the past due balance.

Service may be disconnected after proper notice for any of the following reasons:

1. Failure to pay a delinquent account or to comply with a deferred payment agreement;
2. Willful violation of a usage rule when that violation interferes with another member's service;
3. Failure to comply with valid deposit or guarantee arrangements;
4. Upon discovery by WVR that the property has been subdivided in violation of applicable county subdivision ordinances;
5. Upon discovery by WVR that more than one dwelling is connected to a single meter on the property, unless the present members pay each month and WVR has accepted the appropriate multiple of the Monthly Customer Charge;
6. Upon discovery by WVR that one meter is serving more than one dwelling and the dwellings are located on separate parcels of land;
7. A member has failed to have a customer service inspection performed or has failed to provide access to the service location for the purpose of performing a customer service inspection; or

Service may only be disconnected without notice:

1. When a known dangerous condition exists, for as long as the condition exists;
2. When service is established through meter bypassing, an unauthorized connection or unauthorized reconnection; or

3. In instances of tampering with WVR's meter or equipment.

A residential member may request a delay of disconnection of service upon establishing that disconnection of service will result in some person residing at that residence becoming seriously ill or more seriously ill if service is disconnected. Each time a member seeks to avoid termination of service under this provision, the member must have the attending medical doctor call or contact WVR within 15 days of the issuance of the bill. A written statement must be received by WVR from the attending medical doctor within 20 days of the issuance of the bill. Upon receipt of the doctor's written statement, WVR may, at the discretion of the General Manager or Board of Directors, delay disconnection of service for a period not exceeding 45 days from the issuance of the bill. At the discretion of the General Manager or Board of Directors, WVR may allow the member to enter into a deferred payment plan.

Water Rationing

WVR -- WATER RATIONING PLAN

General Provisions

1. Declaration of Necessity for Rationing: When system demand threatens to exceed production or storage capability, or refilling the storage facilities is rendered impossible, WVR, acting through its General Manager or Board of Directors, may declare that a necessity for rationing exists, and thereafter ration water in the following manner.
2. Notice Requirements: Reasonable notice, including, by way of example and without limitation, notice published in a local newspaper, radio and television announcements, and by posting notice in public buildings, of the proposed rationing shall be provided 24 hours before WVR actually starts the program. Published notice may be followed by mailed notice included in the next regular bill. Any notice shall contain the following information:
 - a. the date rationing shall begin;
 - b. the date rationing shall end;
 - c. the stage (level) and explanation of rationing to be employed; and
 - d. explanation of penalties for violations.
3. Violation of Rationing Rules:
 - a. First violation -- WVR may install a flow restricter in the line to limit the amount of water which will pass through the meter in a 24-hour period. The cost to be charged to the member's account shall be the actual installed cost to WVR.
 - b. Subsequent violations -- WVR may terminate service at the meter for a period of seven (7) days, or until the end of the calendar month, whichever is LESS. The normal reconnect fee of WVR shall apply for restoration of service.
4. Exemptions or Variances From Rationing Rules: WVR may grant any member an exemption or variance from the uniform rationing program, for good cause. WVR shall treat all members equally concerning exemptions and variances, and shall not employ discrimination in such grants.

5. Rates: All existing rates schedules shall remain in effect during the rationing period, and no charges may be levied against a member which are not contained in the approved Tariff of WVR as filed with the Commission.

The purpose of the Water Rationing Program is to conserve the total amount of water demanded from WVR until supply can be restored to normal levels.

Stages of Rationing

Stage I (Voluntary Conservation)

Under Stage I, WVR members will be requested to voluntarily restrict usage of water for outdoor purposes such as lawns, gardens, car washing, etc. Members will be requested to voluntarily limit the amount of water used to that amount absolutely necessary for health, business, and outdoor water use. Voluntary Conservation may include following the "Central Texas Water Wise Plan" which includes the following:

1. Once Every Five Days Use: WVR will provide a calendar noting the respective outdoor watering days and the order will remain consecutive as new months begin. For members having rural delivery numbers, the last numerical digit of the rural delivery number, whether route or box number, shall be used to determine watering days.
2. Restricted Outdoor Watering Hours: Outdoor watering should be done only before 10 a.m. and after 7 p.m. on your watering day.
3. Restricted Outdoor Watering Volume: Water no more than 1 inch on your watering day.

Stage II (Mild Rationing Conditions)

Under Stage II, WVR may select one or more of the alternatives listed below, except that usage for livestock is exempt.

1. Time of Use Restriction: Usage of water for outdoor purposes such as lawns, gardens, car washing, etc. may be restricted according to one or more of the following schedules, except that WVR may allow irrigation by hand-held hoses, hand-held buckets, or drip irrigation anytime.
 - a. Alternate Day Use: Members with even numbered addresses or rural delivery numbers can use water outdoors on even numbered days and members with odd numbered addresses or rural delivery numbers can use water outdoors on odd numbered days. For members having rural delivery numbers, the last numerical digit of the rural delivery number, whether route or box number, shall be used to determine watering days.

- b. Weekday Use Only: No outside watering allowed on Saturdays, Sundays, or official Federal holidays.
 - c. Once Every Five Days Use: WVR will provide a calendar noting the respective watering days. For members having rural delivery numbers, the last numerical digit of the rural delivery number, whether route or box number, shall be used to determine watering days.
- 2. Hand Watering Restriction: WVR may require that only a hand-held hose or a hand-held bucket be used for watering of lawns, gardens, trees, and shrubs.
 - 3. Vehicle Washing Restriction: WVR may prohibit or limit the times for washing of automobiles, trucks, trailers, boats, airplanes, and other types of mobile equipment.

Stage III (Moderate Rationing Conditions)

All outdoor water usage is prohibited; however, usage for livestock is exempt.

Stage IV (Severe Rationing Conditions)

All outdoor water usage is prohibited; usage for livestock is exempt. All consumption shall be limited to each member in one of the following ways:

- 1. A fixed percentage of each member's average use in the prior month, the percentage to be uniformly applied on a system wide basis, each member being notified of this percentage amount, OR
- 2. A maximum number of gallons per meter (member), per week, with notice to each member of this number.

All meters shall be read as often as necessary to insure compliance with this program for the benefit of all the members.

APPENDIX A
WVR WATER SUPPLY CORPORATION SERVICE APPLICATION

Please Print

GENERAL DESCRIPTION: _____

MEMBER'S NAME: _____

SPOUSE'S NAME: _____

CURRENT BILLING ADDRESS: _____ FUTURE BILLING ADDRESS: _____

PHONE NUMBER - Home: _____ Work: _____

PROOF OF OWNERSHIP OR RIGHT OF OCCUPANCY PROVIDED BY: _____

DRIVER'S LICENSE # OF APPLICANT: _____

DATE OF BIRTH: _____ SOCIAL SECURITY # (optional): _____

LEGAL DESCRIPTION OF PROPERTY (Include name of road, subdivision with lot and block number):

PREVIOUS MEMBER'S NAME AND ADDRESS (if transferring Membership):

ACREAGE: _____ HOUSEHOLD SIZE: _____

NUMBER IN FAMILY: _____ LIVESTOCK AND NO: _____

SPECIAL SERVICE NEEDS OF APPLICANT, INCLUDING MULTIPLE CONNECTIONS: _____

Signature of Applicant for Service _____

Printed Name _____

NOTE: Form must be completed by Applicant only A map of service location request must be attached

PRIVACY STATEMENT

WVR Water Supply Corporation Account Information

YOU CAN REQUEST THAT PERSONAL INFORMATION CONTAINED IN WVR WSC'S RECORDS NOT BE RELEASED TO UNAUTHORIZED PERSONS.

The Texas Utilities Code authorizes water supply corporations, such as Water of Vista Ranch WSC, to give their members the option of making the members' address, telephone number, and social security number confidential as that term is defined under Texas law. This choice by Water of Vista Ranch WSC's members is important because Water of Vista Ranch WSC may keep a member's personal information confidential only upon the request of its individual members. Water of Vista Ranch WSC itself can not make this confidentiality decision.

Please place a "X" on the line next to the statement below if you would like to request that your confidential information remain confidential and please provide your account number, the name of the account holder(s), and your signature.

_____ YES, I WANT TO MAKE MY PERSONAL INFORMATION (ADDRESS, TELEPHONE NUMBER, SOCIAL SECURITY NUMBER, ETC.) CONFIDENTIAL.

Account Number(s) _____
Name of Account Holder(s) _____
Signature _____
Date _____

Unless Water of Vista Ranch WSC receives this Privacy Statement properly executed, your personal information cannot be kept confidential under Texas law.

(There is no charge for this service.)

Effective September 27, 2007

**Water of Vista Ranch WATER SUPPLY CORPORATION
SERVICE AGREEMENT**

AGREEMENT made this _____ day of _____, _____, between Water of Vista Ranch Water Supply Corporation, a corporation organized under the laws of the State of Texas (hereinafter called the WVR) and _____ (hereinafter called the Member).

Witnesseth:

The Corporation shall sell and deliver water service to the Member and the Member shall purchase, receive, and/or reserve water service from the Corporation in accordance with the Bylaws and Tariff of the Corporation as amended from time to time by the Board of Directors of the Corporation. Upon compliance with said policies, including payment of Membership Fee, the Member qualifies for Membership as a new Member or continued Membership as a Transferee and thereby may hereinafter be called a Member.

The Member shall pay the Corporation for service hereunder as determined by the Corporation's Tariff and upon the terms and conditions set forth therein, a copy of which is available for review from WVR, upon the request of any Member.

All water shall be metered by meters to be furnished and installed by the Corporation. The meter and/or connection is for the sole use of the Member or customer and is to serve water to only one (1) dwelling and/or only one (1) business. Extension of pipe or pipes to transfer water from one property to another, to share, resell, or sub-meter water to any other persons, dwellings, business, and/or property, etc., is prohibited.

The Corporation shall have the right to locate a water service meter and the pipe necessary to connect the meter on the Member's property at a point to be chosen by the Corporation, and shall have access to its property and equipment located upon Member's premises at all reasonable times for any purpose connected with or in the furtherance of its business operations, and upon discontinuance of service the Corporation shall have the right to remove any of its equipment from the Member's property.

The Corporation's authorized employees shall have access to the Member's property or premises and service lines and plumbing facilities at all reasonable times for the purpose of inspecting for possible violations of the Corporation's policies and to ensure compliance with the state required Minimum Acceptable Operating Practices for Public Drinking Water Systems, as promulgated by the Texas Commission on Environmental Quality or successor agency, applicable plumbing codes, and utility construction standards. The Corporation strictly prohibits any direct connection between the public drinking water supply and a potential source of contamination. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device. The Corporation strictly prohibits any cross-connection between the public drinking water supply and a private water system. These potential threats to the public drinking water shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device. The Corporation strictly prohibits any connection which allows water to be returned to the public drinking water supply.

The Member shall allow his property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the Corporation or its designated agent: (i) prior to initiating new water service; (ii) when there is reason to believe that cross-connections or other unacceptable plumbing practices exist; and/or (iii) after any major changes to the private plumbing facilities. The Corporation shall notify the Member in writing of any cross-connection or other unacceptable plumbing practice which has been identified during the initial inspection or the periodic reinspection. The Member shall immediately correct any unacceptable plumbing practice on his premises. The Member shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Corporation. Copies of all testing and maintenance records shall be provided to the Corporation.

In the event the total water supply is insufficient to meet all of the needs of the Members, or in the event there is a shortage of water, the Corporation may initiate the Water Rationing Plan as specified in the Corporation's Tariff. By execution of this Service Agreement, hereof, the Member shall comply with the terms of Water Rationing Plan.

The Member shall install at his own expense a service line from the water meter to the point of use, including any customer service isolation valves and other equipment as may be specified by the Corporation. The use of pipes and pipe fittings that contain more than 8.0% lead or solders and flux that contain more than 0.2% lead is prohibited for any

plumbing installation or repair of any residential or non-residential facility providing water for human consumption and connected to the Corporation.

By execution hereof, the Member shall hold the Corporation harmless from any and all claims for damages caused by service interruptions due to waterline breaks by utility or like contractors, tampering by other Member/Users of the Corporation, normal failures of the system, or other events beyond the Corporation's control.

The Member shall grant to the Corporation, now or in the future, any easements and rights-of-way for the purpose of installing, maintaining, and operating such pipelines, meters, valves, and any other such equipment which may be deemed necessary by the Corporation to extend or improve service for existing or future members, on such forms as required by the Corporation.

By execution of this Service Agreement, Member shall guarantee payment of all other rates, fees, and charges due on any account for which said Member owns a Membership Certificate. MEMBER ACKNOWLEDGES THAT NONPAYMENT OF AMOUNTS DUE TO WVR WILL RESULT IN DISCONNECTION OF THE WATER SERVICE TO MEMBER'S PROPERTY. IN THE EVENT WATER SERVICE IS DISCONNECTED, A FEE SET BY WVR IN ITS TARIFF WILL BE CHARGED AND MUST BE PAID BEFORE SERVICE WILL BE RECONNECTED.

The Board of Directors shall have the authority to cancel the Membership of any Member not complying with any policy or not paying any utility fees or charges as required by the Corporation's published rates, fees, and conditions of service. IF WVR'S EQUIPMENT IS TAMPERED WITH OR WATER IS TAKEN BY MEANS OF AN UNAUTHORIZED CONNECTION OR BOTH, THE MEMBER SHALL FORFEIT ALL RIGHTS AND PRIVILEGES OF MEMBERSHIP; THE MEMBER SHALL FORFEIT ALL CONNECTION AND TAP RIGHTS; THE METER SHALL BE REMOVED, AND THE LINE TAP SHALL BE SEALED.

By execution of this Service Agreement, Member agrees that if Member fails to comply with the terms of this Agreement the Corporation shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow protection device at the service connection. Any expenses associated with the enforcement of the Agreement, shall be billed to and paid by the Member.

Any misrepresentation of fact(s) by the Member on any part of this Agreement shall result in discontinuance of service pursuant to the terms and conditions of the Corporation's Tariff.

Each Member must sign this Agreement before the Corporation will begin service. If service to an existing connection has been suspended or terminated, the Corporation will not re-establish service unless it has a signed copy of this Agreement. The Corporation shall maintain a copy of this Agreement as long as the Member and/or the Member's premises are connected to the Corporation.

Member

Water of Vista Ranch Water Supply Corporation

NOTICE AND RELEASE CONCERNING WATER PRESSURE HAZARD

MEMBER EXPRESSLY ACKNOWLEDGES THAT WVR MAY INSTALL A CHECK VALVE OR OTHER BACKFLOW PREVENTION DEVICE AT THE METER SERVING MEMBER'S PROPERTY, AND THAT SUCH DEVICE WILL CONTAIN WATER PRESSURE WITHIN MEMBER'S PRIVATE PLUMBING SYSTEM. MEMBER FURTHER ACKNOWLEDGES AND UNDERSTANDS THAT A PROPERLY OPERATING PRESSURE RELIEF VALVE MUST BE MAINTAINED AT ALL TIMES ON MEMBER'S WATER HEATER. MEMBER UNDERSTANDS THAT FAILURE TO MAINTAIN A PROPERLY OPERATING PRESSURE RELIEF VALVE ON A WATER HEATER IS A DANGEROUS PRACTICE THAT CAN RESULT IN PERSONAL INJURY AND PROPERTY DAMAGE. MEMBER HEREBY AGREES TO WAIVE, RELEASE, AND HOLD WVR HARMLESS FROM ANY CLAIMS AND DAMAGES RESULTING FROM MALFUNCTIONING, FAILURE, OR ABSENCE OF CHECKVALVES, BACKFLOW PREVENTION DEVICES, AND PRESSURE RELIEF VALVES, INCLUDING WITHOUT LIMITATION, DAMAGES TO PERSONS OR PROPERTY, DIRECT DAMAGES, SPECIAL DAMAGES, INCIDENTAL DAMAGES, CONSEQUENTIAL DAMAGES, OR LOSS OF PROFIT OR REVENUE.

Member

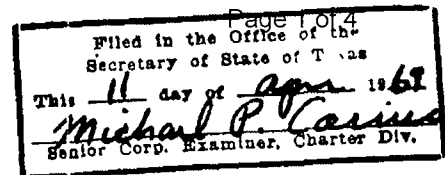
Effective September 27, 2007

Date: _____

Attachment “D” – Question 7

Aqua WSC Articles of Incorporation

Form FHA-Tx 442-6
(Rev. 8-19-64)



ARTICLES OF INCORPORATION

OF

AQUA

WATER SUPPLY CORPORATION

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF BASTROP

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

ARTICLE I.

The name of the Corporation is AQUA Water Supply Corporation.

ARTICLE II.

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

ARTICLE III.

The period of its duration is perpetual.

Form FHA-Tx 442-6
(Rev. 8-19-64)

ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural communities ~~of Bastrop County, Texas, and the surrounding rural areas. in the communities in adjoining Caldwell, Fayette, Lee, Travis and Williamson counties, Texas~~. The places where the business of the Corporation is to be transacted shall be the Bastrop Community in Bastrop County, Texas, and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is Box H, Bastrop, Texas-78602, and the name of its initial registered agent at such address is Henry N. Bell.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is seven (7), and the names and addresses of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>K. B. Wendt</u>	<u>General Delivery</u>	<u>Rosanky, Texas</u>
<u>Earl Callahan</u>	<u>Rt. 2, Box 692</u>	<u>Austin, Texas</u>
<u>Cecil W. Fisher</u>	<u>Rt. 1, Box 85</u>	<u>Elgin, Texas</u>
<u>Henry N. Bell</u>	<u>Box H,</u>	<u>Bastrop, Texas</u>
<u>Doyle K. Tuck</u>	<u>Box 634,</u>	<u>Bastrop, Texas</u>
<u>Edwin Magnuson</u>	<u>Rt. 1,</u>	<u>Manor, Texas</u>
<u>Merle A. Rother</u>	<u>Rt. 1, Box 119-A</u>	<u>McDade, Texas</u>

Form FHA-Tx 442-6
(Rev. 8-19-64)

ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>K. B. Wendt</u>	<u>General Delivery</u>	<u>Rosanky, Texas</u>
<u>Earl Callahan</u>	<u>Rt. 2, Box 692</u>	<u>Austin, Texas</u>
<u>Henry N. Bell</u>	<u>Box H,</u>	<u>Bastrop, Texas</u>
<u>Cecil W. Fisher</u>	<u>Rt. 1, Box 85</u>	<u>Elgin, Texas</u>
<u>Edwin Magnuson</u>	<u>Rt. 1,</u>	<u>Manor, Texas</u>

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

ARTICLE VIII.

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

IN WITNESS WHEREOF, we have hereunto set out hands, this the 6th.
day of June, 19 68.

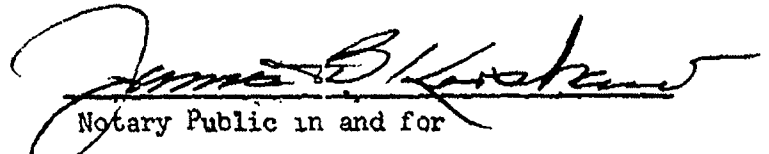
K. B. Wendt
Earl Callahan
Henry N. Bell
Cecil W. Fisher
Edwin Magnuson

THE STATE OF TEXAS 0
COUNTY OF BASTROP. 0

I, James B. Kershaw, a Notary Public, do
hereby certify that on this 6th. day of June, 1969,
personally appeared before me K. B. Wendt, Earl Callahan, Cecil W. Fisher,
Henry N. Bell and Edwin Magnuson

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

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


Notary Public in and for
Bastrop County, Texas.

(Notarial Seal)

My Commission expires June 1, 1969

James B. Kershaw
NOTARY PUBLIC
BASTROP COUNTY, TEXAS

Attachment “E” – Question 7

Aqua WSC Bylaws

AQUA

WATER SUPPLY
CORPORATION

BY-LAWS

Revised 3/13

BY-LAWS

AQUA WATER SUPPLY CORPORATION

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

ARTICLE I.

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

ARTICLE II

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

ARTICLE III

The Secretary-Treasurer shall have custody of all monies, records and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by two persons. Those authorized to sign checks are the following: (1) the President; (2) the Vice-President; (3) the Secretary-Treasurer; and (4) any five employees designated by a resolution adopted by the Board of Directors for this purpose. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to that office.

The position of the Secretary-Treasurer, and other Board positions and/or employees entrusted with receipt and disbursement of funds, shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all USDA Rural Development, Rural Utility Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS or its successor agencies and assigns.

ARTICLE IV

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

Section 2. The Board of Directors shall consist of eight (8) Directors, elected from eight (8) zones, one (1) from each zone, elected by the members of each zone and a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the Monday following the annual meeting, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer from among the Directors. The Directors shall be elected by the Members at the Members' meetings provided for in Article VI of the Bylaws. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the Members after their election; the terms of the Directors of the second class shall expire at the second annual meeting after their election; and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. Directors, as such, shall not receive any salary for their services, except as provided for by state law.

Not later than the 60th day after a Director dies, resigns or is determined by the Board to not meet one of the qualifications set forth in Section 1, a successor who meets those qualifications shall be appointed by a majority of the remaining Directors to serve for the remaining balance of the previously vacated term.

Section 3. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Business Organizations Code pertaining to duties and responsibilities of the Board of Directors.

ARTICLE V

Section 1. Meetings of the Board of Directors shall be held at such time and place as the Board may determine at the previous meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, including any subsequent amendment thereto. In the event of any conflict between the provisions of these Bylaws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

Section 2. In the event of a Director misses three (3) consecutive meetings without proper excuse, the Board will appoint a Director to fill that place for the unexpired term of that Director.

Section 3. The Board of Directors shall provide access for any individual impacted by Aqua's activities, new service applicants, or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however,

there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

Section 5. In conducting their duties as members of the Board, Directors: (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care, on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually, held between January 1 and May 1, at a date and time specified by the Board, to transact all business that may be properly brought before it.

Section 2. The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including notification to the Membership of the proposed agenda, location, and date of the meeting; election procedures; approval of the ballot form to be used; and validation of eligible voters, ballots, and election results. At least thirty (30) days before the date of a Membership meeting that includes an election, the Corporation shall mail to each member of record at the address last known to the Corporation written notice of such meeting indicating the time, place, and purpose of such meeting; the election ballot; and for director elections, a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot for director elections must include the number of directors to be elected and the names of the candidates.

Failure to hold or call an annual or special meeting in accordance with these Bylaws shall give each Member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership.

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

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

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

Section 5. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. Subject to any confidentiality requirements, the list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting Member, or voting Member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at their expense, copy the list. Further, the Board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.

ARTICLE VII

A special meeting of the Members or Directors may be called by the President, or by demand by a majority of the board members or one-third (1/3) of the Members. Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed, as required under Texas Business

Organizations Code Section 22.156, and as provided under Article V of these Bylaws. Such notice shall specify the time, place and purpose of the meeting, and shall be provided by one of the following methods: (i) mailed to each of the Members at their address last known to the Corporation; (ii) personally delivered to each Member; or (iii) sent by email or other electronic transmission to each Member.

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

In order for Aqua to have a continuity of functions during a disaster or catastrophe, a quorum as defined in Article VI will not be required for the Board of Directors to meet and act if (1) the CCN area of Aqua is located in the area of a disaster as declared by the President of the United States or the Governor of the State of Texas, and (2) it has been determined by three or more members of the Board of Directors of the Corporation that, after making a reasonable effort, a majority of the Board members are unable to be present at a Board meeting as a result of the disaster. During a disaster or catastrophe as defined above, the Board shall have the ability to meet and act with at least three Directors constituting a quorum. Notice of such Board meeting shall be posted as required by the Texas Open Meetings Act.

ARTICLE VIII

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008 (d) of the Texas Water Code or successor articles. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provisions of Section 67.014 (b) of the Texas Water Code or successor articles.

ARTICLE IX

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, CoBank, ACB, or TWDB, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation.

Securities so purchased shall be deemed at all times to be part of the reserve fund account. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

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

ARTICLE X

Section 1. The Corporation shall have Members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a Membership as a condition to receive service on a limited basis. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served, or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Political subdivisions shall also have the right to become a member of the Corporation upon payment of the membership fee hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of and service by the system. Membership shall not be denied because of the applicant's race, color, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be \$100.00. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership, but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

ARTICLE XI

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

ARTICLE XII

Section 1. In order to ensure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

- (a) The transfer of stock, Membership, or another right of participation under this section does not entitle the transferee to water and/or sewer service unless each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water and/or sewer service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.
- (b) The Corporation may cancel a persons or other entity's stock, Membership, or other right of participation if the person or other entity harasses any Aqua personnel while such personnel is performing official duties on behalf of Aqua, or fails to meet the conditions for water and/or sewer service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water and/or sewer service under the stock, Membership, or other right of participation authorized under Subsection (a) of this section. The Corporation may, consistent with the limitations prescribed by the Corporation's tariff, reassign canceled stock, or a canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water and/or sewer service is requested, subject to compliance with the conditions for water and/or sewer service prescribed by the Corporation's published rates, charges, and conditions of service.

ARTICLE XIII

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

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a member should surrender the Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water and/or sewer service shall be discontinued and the obligation to pay for water and/or sewer service shall terminate except as for the minimum charge for the current month and the charge for water and/or sewer used during the current month, and except as for any prior unpaid amounts due the Corporation. In the event Membership is terminated, canceled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will be forfeited.

ARTICLE XV

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

ARTICLE XVI

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

ARTICLE XVII

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

ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water and/or sewer charges to be insufficient for the payment of all costs incident to the operation of the

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

Section 2. In the event a Member should surrender their Membership certificate properly endorsed by the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of their obligation under special arrangements covering Multiple Membership certificates held by one Member which may have been required or approved by the USDA Rural Development, RUS or TWDB.

ARTICLE XIX

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

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

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

ARTICLE XX

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

ARTICLE XXI

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

ARTICLE XXII

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

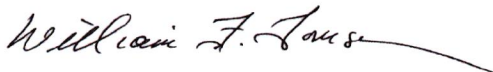
ARTICLE XXIII

The above Bylaws were adopted as amended by the Members of the Aqua Water Supply Corporation, at a meeting held on the 1st day of March, 2013.



President

Attest



Secretary-Treasurer

Attachment “F” – Question 9

Aqua WSC Board of Directors Information

Aqua WSC / WOVR WSC
STM Application

ATTACHMENT – QUESTION 9

1.	Name	Craig Williams
	Position	Director, Zone One
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

2.	Name	J.D. Mican
	Position	Director, Zone Two
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

3.	Name	David Glass
	Position	Director, Zone Three
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

4.	Name	Mark McArthur
	Position	Director, Zone Four
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

5.	Name	Earl Steinbach
	Position	Vice-President, Director for Zone Five
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

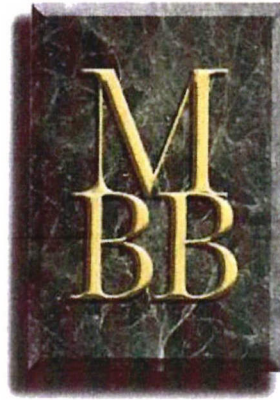
6.	Name	Cliff Kessler
	Position	President, Director for Zone Six
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

7.	Name	Pamela Harkins
	Position	Director, Zone Seven
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

8.	Name	William Tomsu
	Position	Secretary-Treasurer, Director for Zone Eight
	Ownership % (if applicable)	N/A
	Address	415 Old Austin Hwy, Drawer P, Bastrop, TX 78602
	Phone	(512) 303-3943
	Email	info@aquawsc.com

Attachment “G” – Question 10

Aqua WSC 2019 Financial Audit



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

AQUA WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Aqua Water Supply Corporation

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Aqua Water Supply Corporation (Aqua WSC), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua WSC as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of Aqua WSC'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 Aqua WSC's internal control over financial reporting and compliance.

Montemayor Britton Bender PC

January 30, 2020
Austin, Texas

AQUA WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

CURRENT ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$12,602,149	\$9,434,386
Accounts receivable, net of allowance for doubtful accounts of \$40,000	2,574,509	2,169,686
Inventory and other	<u>262,643</u>	<u>263,070</u>
Total current assets	15,439,301	11,867,142
RESTRICTED CASH	142,715	140,351
PROPERTY AND EQUIPMENT, net	<u>103,240,336</u>	<u>100,457,879</u>
TOTAL ASSETS	<u>\$118,822,352</u>	<u>\$112,465,372</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$301,469	\$236,191
Accrued expenses	208,868	193,333
Member deposits and other	241,152	236,056
Current maturities of long-term debt	<u>1,942,953</u>	<u>1,942,953</u>
Total current liabilities	2,694,442	2,608,533
LONG-TERM DEBT	<u>15,528,539</u>	<u>17,579,554</u>
TOTAL LIABILITIES	<u>18,222,981</u>	<u>20,188,087</u>
NET ASSETS		
Without donor restrictions		
Undesignated	98,755,276	90,374,471
Designated by the Board	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets without donor restrictions	99,755,276	91,374,471
With donor restrictions		
Purpose restrictions- wastewater facilities	<u>844,095</u>	<u>902,814</u>
TOTAL NET ASSETS	<u>100,599,371</u>	<u>92,277,285</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$118,822,352</u>	<u>\$112,465,372</u>

The accompanying notes are an integral part of this financial statement presentation.

AQUA WATER SUPPLY CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE			
Water sales	\$17,714,407	\$0	\$17,714,407
Contributions in aid of construction	6,771,274	0	6,771,274
Other revenue	1,110,975	0	1,110,975
Net assets released from restriction	<u>58,719</u>	<u>(58,719)</u>	<u>0</u>
Total revenue	<u>25,655,375</u>	<u>(58,719)</u>	<u>25,596,656</u>
EXPENSES			
Program	13,819,656	0	13,819,656
General and administrative	<u>3,454,914</u>	<u>0</u>	<u>3,454,914</u>
Total expenses	<u>17,274,570</u>	<u>0</u>	<u>17,274,570</u>
CHANGE IN NET ASSETS	8,380,805	(58,719)	8,322,086
BEGINNING NET ASSETS	<u>91,374,471</u>	<u>902,814</u>	<u>92,277,285</u>
ENDING NET ASSETS	<u>\$99,755,276</u>	<u>\$844,095</u>	<u>\$100,599,371</u>

The accompanying notes are an integral part of this financial statement presentation.

AQUA WATER SUPPLY CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE			
Water sales	\$16,413,451	\$0	\$16,413,451
Contributions in aid of construction	6,042,752	0	6,042,752
Other revenue	931,512	0	931,512
Net assets released from restriction	<u>58,719</u>	<u>(58,719)</u>	<u>0</u>
Total revenue	<u>23,446,434</u>	<u>(58,719)</u>	<u>23,387,715</u>
EXPENSES			
Program	13,262,200	0	13,262,200
General and administrative	<u>3,315,550</u>	<u>0</u>	<u>3,315,550</u>
Total expenses	<u>16,577,750</u>	<u>0</u>	<u>16,577,750</u>
CHANGE IN NET ASSETS	6,868,684	(58,719)	6,809,965
BEGINNING NET ASSETS	<u>84,505,787</u>	<u>961,533</u>	<u>85,467,320</u>
ENDING NET ASSETS	<u>\$91,374,471</u>	<u>\$902,814</u>	<u>\$92,277,285</u>

The accompanying notes are an integral part of this financial statement presentation.

AQUA WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in net assets	\$8,322,086	\$6,809,965
Depreciation	4,589,868	4,381,038
Bad debt expense	92,838	20,200
Gain/loss on sale of fixed assets	(12,900)	(44,726)
Change in accounts receivable	(497,661)	223,992
Change in inventory and other	427	(15,558)
Change in accounts payable	65,278	(226,137)
Change in accrued expenses	15,535	(627,151)
Change in member deposits and other	<u>5,096</u>	<u>(2,955)</u>
Net cash provided by operating activities	<u>12,580,567</u>	<u>10,518,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,372,325)	(8,630,037)
Change in restricted cash	(2,364)	(1,462)
Proceeds from sale of fixed assets	<u>12,900</u>	<u>44,726</u>
Net cash used in investing activities	<u>(7,361,789)</u>	<u>(8,586,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(2,051,015)</u>	<u>(1,955,987)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,167,763	(24,092)
BEGINNING CASH AND CASH EQUIVALENTS	<u>9,434,386</u>	<u>9,458,478</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$12,602,149</u>	<u>\$9,434,386</u>
CASH PAID FOR INTEREST	<u>\$1,020,707</u>	<u>\$1,145,096</u>

The accompanying notes are an integral part of this financial statement presentation.

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Aqua Water Supply Corporation (Aqua WSC) is a non-profit cooperative headquartered in Bastrop County, Texas, owned by its customers who are its members, with each member holding one share in the corporation. More than 50,000 people rely on Aqua WSC to provide water for their daily lives. Most are homeowners, farmers, and ranchers who count on Aqua WSC for safe and reliable drinking water.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Aqua WSC uses the accrual basis method of accounting. Revenues and support are recorded when earned, rather than when received. Expenses are recorded when incurred regardless of when paid.

FINANCIAL STATEMENT PRESENTATION

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CASH AND CASH EQUIVALENTS

Aqua WSC considers all highly liquid investments with an original maturity of three months or less and certificate of deposits to be cash equivalents.

INVENTORY

Finished goods inventory is valued at the lower of cost (first-in, first-out) or market.

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the value of the revenue earned and require payments within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at the time. Delinquent invoices do not accrue interest. Aqua WSC continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts for incorrect meter readings and uncollectible accounts. Aqua WSC regularly adjusts any allowance for subsequent collections and final determination that a trade account receivable is no longer collectible.

FUNCTIONAL EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expense require allocation on a reasonable basis that is consistently applied. Aqua WSC allocates all costs between program, general and administrative, and fundraising by estimating the percentage of personnel time spent on each area as estimated by management. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the organization.

PROPERTY AND EQUIPMENT

Fixed assets over \$5,000 are recorded at cost if purchased and estimated fair value if donated; costs that are specifically attributable to a project included in construction in progress are capitalized regardless of their cost. It is Aqua WSC's policy to imply a time restriction on all gifts of long-lived assets equal to the useful life of the assets. Depreciation is provided using the straight-line method based on the assets' estimated useful lives of 5 to 50 years.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized for the amount in which the carrying amount of the asset exceeds the fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment as of December 31, 2019 and 2018.

NET ASSETS DESIGNATED BY THE BOARD

In December 2009, the Board designated \$1,000,000 for future operating needs.

WATER SALES

Aqua WSC recognizes water sales revenues based on monthly usage at standard rates.

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MEMBERSHIP FEES AND CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

Aqua WSC assesses its customers one-time, non-refundable fees consisting of a membership fee of \$100 and a fee for contributions-in-aid-of-construction, which is based upon the meter size and number of dwelling units connected to the meter.

TAX STATUS

Aqua WSC is a nonprofit organization exempt from Federal income taxes under IRS Code Section 501(c)(12), except with respect to any unrelated business income. Therefore, no provision has been made for Federal income tax in the accompanying financial statements. Aqua WSC's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At December 31, 2019 and 2018 no interest and penalties have been or are required to be accrued.

ESTIMATES

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

Aqua WSC has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: CONCENTRATION

At December 31, 2019 and 2018, Aqua WSC had cash balances in excess of FDIC insurance of \$6,995,447 and \$4,944,187 respectively. Aqua WSC has not experienced any losses due to this credit risk.

NOTE 4: RESTRICTED CASH

The note payable to the United States Department of Agriculture (USDA) requires that Aqua WSC reserve cash in designated accounts totaling \$136,752 that cannot be withdrawn unless prior written approval is obtained from the lenders for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets. The reserve amounts are reported on the statement of financial position as restricted cash. The notes payable have cross default provisions, which would cause a default on the notes if there were a default on any other obligations. At December 31, 2019 and 2018 the designated accounts had balances of \$142,715 and \$140,351, respectively.

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5: PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$3,572,886	\$3,572,886
Construction in progress	12,875,719	9,850,232
Water lines and extensions	76,711,302	74,462,210
Pump station	22,724,325	22,724,325
Well sites and easements	23,712,953	22,614,388
Wastewater facilities	8,139,732	8,139,732
Furniture and equipment	7,480,977	7,508,593
Building and improvements	3,428,739	3,428,739
Transportation equipment	2,977,080	2,861,362
Accumulated depreciation	<u>(58,383,377)</u>	<u>(54,704,588)</u>
	<u>\$103,240,336</u>	<u>\$100,457,879</u>

NOTE 6: DEFINED CONTRIBUTION PLAN

Aqua WSC sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code (IRC) for all eligible employees who are age 21 or older and have completed one year of continuous service. Participating employees may contribute up to the maximum allowed by the IRC. Aqua WSC may make matching contributions, qualified matching contributions and non-elective contributions at the sole discretion of Aqua WSC's management. Total employer contributions to the plan during the year ended December 31, 2019 and 2018 were \$498,728 and \$525,922 respectively.

NOTE 7: COMMITMENTS AND SUBSEQUENT EVENT

At December 31, 2019 Aqua WSC had the following commitments for contracts related to water system improvements:

<u>Vendor Name</u>	<u>Total Contract Amount</u>	<u>Remaining commitment at December 31, 2019</u>
Gulf States Protective Coatings, Inc.	\$441,270	\$33,080
Herschap Backhoe & Ditching, Inc.	256,583	111,660
Austin Engineering Co., Inc.	<u>1,032,742</u>	<u>1,032,742</u>
	<u>\$1,730,595</u>	<u>\$1,177,482</u>

AQUA WATER SUPPLY CORPORATION**NOTES TO FINANCIAL STATEMENTS****NOTE 7: COMMITMENTS AND SUBSEQUENT EVENT**

At December 31, 2018 Aqua WSC had the following commitments for contracts related to water system improvements:

<u>Vendor Name</u>	<u>Total Contract Amount</u>	<u>Remaining commitment at December 31, 2018</u>
Herschap Backhoe & Ditching, Inc.	\$1,881,176	\$893,884
Keystone Construction Services	1,856,246	52,319
Gulf States Protective Coatings, Inc.	<u>528,850</u>	<u>119,163</u>
	<u>\$4,266,272</u>	<u>\$1,065,366</u>

In January 2020, Aqua WSC entered into a construction contract with TTE, LLC for S Station Pump Replacements for a total of \$2,598,707.

NOTE 8: FUNCTIONAL EXPENSE ALLOCATION

Functional expense allocation at December 31, 2019:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$4,903,686	\$1,225,921	\$6,129,607
Depreciation	3,671,894	917,974	4,589,868
General and administrative	1,951,846	487,961	2,439,807
Electric	835,407	208,852	1,044,259
Interest	822,929	205,732	1,028,661
Material and supplies	519,988	129,997	649,985
Repairs and maintenance	481,967	120,492	602,459
Other	<u>631,939</u>	<u>157,985</u>	<u>789,924</u>
Total expenses	<u>\$13,819,656</u>	<u>\$3,454,914</u>	<u>\$17,274,570</u>

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8: FUNCTIONAL EXPENSE ALLOCATION

Functional expense allocation at December 31, 2018:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$4,693,845	\$1,173,461	\$5,867,306
Depreciation	3,504,830	876,208	4,381,038
General and administrative	1,837,726	459,431	2,297,157
Interest	922,439	230,610	1,153,049
Electric	747,554	186,888	934,442
Material and supplies	573,100	143,275	716,375
Repairs and maintenance	535,115	133,779	668,894
Other	<u>447,591</u>	<u>111,898</u>	<u>559,489</u>
Total expenses	<u>\$13,262,200</u>	<u>\$3,315,550</u>	<u>\$16,577,750</u>

NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS

	<u>2019</u>		<u>2018</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	\$12,602,149	\$12,602,149	\$9,434,386	\$9,434,386
Restricted cash	\$142,715	\$142,715	\$140,351	\$140,351
Long-term debt	\$17,471,492	\$17,471,492	\$19,522,507	\$19,522,507

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents—The carrying amount is a reasonable estimate of fair value (Level 1).

Long-term debt- Based on the borrowing rates currently available to Aqua WSC for bank loans with similar terms and maturities (Level 2).

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10: LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
\$7 million CoBank Revolving Term Loan with interest due monthly at a weekly quoted CoBank variable rate (4.45% at December 31, 2019 and 2018), matures May 20, 2037	\$ 4,349,301	\$ 4,510,217
\$2 million CoBank Revolving Term Loan with interest and principal due monthly at a weekly quoted CoBank variable rate (4.50% at December 31, 2019 and 2018) matures May 20, 2031	1,324,632	1,418,948
\$9.2 million CoBank Revolving Term Loan with principal and interest due monthly at 6.87%, matures November 20, 2022	1,872,163	2,462,552
\$4 million CoBank Revolving Term Loan with principal and interest due monthly at 6.45%, matures December 20, 2023	1,091,577	1,336,737
\$ 9 million CoBank Revolving Term Loan with principal and interest due monthly at 6.98% for \$3,567,753 and 6.82% for \$708,574, matures September 20, 2024	3,146,937	3,723,609
\$5.5 million CoBank Revolving Term Loan with principal and interest due monthly at 4.72%, matures January 20, 2028	3,378,844	3,661,444
\$2,293,000 Note Payable to USDA, principal and interest paid in monthly installments totaling \$10,778 at 4.75%, matures September 26, 2042, secured by all real property, personal property and assignment of income and contracts	1,732,622	1,775,622
\$54,530 Loan Payable to Texas Water Development Board, principal and interest paid in monthly installments ranging from \$560 to \$580 at a variable interest rate (3.66% and 3.35% at December 31, 2019 and 2018), matures March 15, 2024, secured by Aqua WSC's gross revenues (exclusive of restricted gifts, grants, donations and contributions)	26,630	31,730
\$800,000 CoBank Term Loan with interest and principal due monthly at a weekly quoted CoBank variable rate (3.18% at December 31, 2019 and 2018) matures October 20, 2028	<u>548,786</u>	<u>601,648</u>
	17,471,492	19,522,507
Less: current maturities of long-term debt	<u>1,942,953</u>	<u>1,942,953</u>
Total long-term debt	<u>\$15,528,539</u>	<u>\$17,579,554</u>

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10: LONG-TERM DEBT

Future long-term debt payments as of December 31, 2019 are as follows:

2020	\$1,942,953
2021	2,256,737
2022	2,310,302
2023	1,785,002
2024	1,434,123
Thereafter	<u>7,742,375</u>
	<u>\$17,471,492</u>

Assets pledged as collateral on loans is all land, construction in progress, and other building and property and equipment, see Note 5.

At December 31, 2019, Aqua WSC had a \$2,000,000 CoBank line of credit, with interest due monthly at the weekly quoted CoBank variable rate, maturing on June 30, 2020. Aqua WSC did not draw on the line of credit during the year ended December 31, 2019.

At December 31, 2018, Aqua WSC had a \$2,000,000 CoBank line of credit, with interest due monthly at the weekly quoted CoBank variable rate, maturing on June 30, 2019. Aqua WSC did not draw on the line of credit during the year ended December 31, 2018.

The CoBank revolving term loans (Loans) are under a Master Loan Agreement with CoBank dated November 25, 2002, which was amended and restated on May 5, 2010, May 14, 2013, November 6, 2013, and August 23, 2016. The Loans are secured by all real and personal property of Aqua WSC. The Master Loan Agreement has cross default provisions on any other obligations. It also contains a material adverse change provision, which would allow the bank to subjectively deem adverse changes in Aqua WSC to be a default on the Loans. It requires compliance with financial covenants, including a debt service coverage ratio greater than 1.25 and a debt to capitalization ratio less than 0.65.

AQUA WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 11: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$12,602,149	\$9,434,386
Accounts receivable	2,574,509	2,169,686
Less: donor restricted for wastewater facilities	<u>(844,095)</u>	<u>(902,814)</u>
	<u>\$14,332,563</u>	<u>\$10,701,258</u>

As part of Aqua WSC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from Aqua WSC's operating accounts.

Any excess cash for the year is to be used for general capital purchases in the next year. These funds are invested in CDARS accounts with short term maturities to be available for yearly capital spending. A capital depository account is maintained for these funds to be deposited as well as any new service monies that Aqua WSC receives.

In 2013 Aqua WSC's Board of Directors approved a list of financial institutions for which it may deposit funds. Limits were set at each of the financial institutions, so monies are transferred when needed to stay within the guidelines.

Aqua WSC is required to have a reserve in the amount of \$136,752 on hand per USDA loan requirements. Aqua WSC has designated a certificate of deposit to maintain compliance with the reserve. As of December 31, 2019 and 2018 the account had a balance of \$142,715 and \$140,351, respectively, and was recorded as restricted cash.

Other investments of Aqua WSC are the Board Designated Reserves. Per Board direction in 2009, \$1,000,000 was to be set aside for emergency purposes. The funds are accruing interest, but have not been spent to date.

Aqua WSC borrows for construction in progress projects when needed. As described in Note 10, Aqua WSC has an existing line of credit with CoBank in the amount of \$2,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Aqua WSC is subject to certain loan covenants related to their revolving term loans as discussed in Note 10.

**Montemayor Britton Bender PC**

CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors
Aqua Water Supply Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aqua Water Supply Corporation (Aqua WSC), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aqua WSC'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 Aqua WSC's internal control. Accordingly, we do not express an opinion on the effectiveness of Aqua WSC's internal control.

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

Our consideration of 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.

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Compliance and Other Matters

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

Purpose of this Report

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

Montemayor Britton Bender PC

January 30, 2020
Austin, Texas

Attachment “H” – Question 15

Aqua WSC Tariff

Aqua Water Supply Corporation

Water Tariff -- Page No. 1
Revision No. 39

WATER SUPPLY CORPORATION TARIFF FOR

Aqua Water Supply Corporation (Name)	P. O. Drawer P (Business Address)	Bastrop (City)	Texas (State)
78602 (Zip Code)	(512) 303-3943 (Area Code/Telephone No.)		

This Tariff is effective for Aqua's operations under the following Certificate(s) of Convenience and Necessity: CCN #10294.

This Tariff is effective in the following counties: Bastrop, Caldwell, Williamson, Lee, Fayette, and Travis.

This Tariff is effective in the following cities or unincorporated towns (if any): N/A.

This Tariff is effective in the following subdivisions or systems: Various subdivisions located in areas identified on Texas Commission on Environmental Quality water service area maps.

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Appendix A SERVICE APPLICATION AND AGREEMENTS

Appendix B RULES AND REGULATIONS CONCERNING AQUA'S SERVICE TO SUBDIVISIONS

SECTION 1.0 – DEFINITIONS

Section 1.01 – Dwelling

“Dwelling”, “dwelling unit”, or “residence” means a home, house, mobile home, manufactured home, apartment unit, or any unit in a multiunit residential structure maintaining a restroom facility and area for preparation or storage of foods. A recreational vehicle that is not located in a recreational vehicle park shall be considered a dwelling under this Tariff if it is connected to an Aqua meter and is used for human habitation.

Section 1.02 – Large Volume Service – Conservation Districts

“Large Volume Service – Conservation Districts” means water service provided to a conservation district created pursuant to Article XVI, Section 59, of the Texas Constitution, such as a municipal utility district or a water control and improvement district, by means of a connection with a meter(s) size larger than one (1) inch. Water delivered to such Conservation District is delivered through an air gap so that the District must provide its own storage and pressurization facilities. Water provided under Large Volume Service – Conservation Districts may be submetered for resale by the district within the boundaries of the district. Aqua will not be the retail service provider to the customers within the District.

Section 1.03 – Large Volume Service – Multiple Owner

“Large Volume Service – Multiple Owner” means water service provided to a multiple owner development, such as townhouses, condominiums, or cluster homes by means of a connection with a meter size larger than one (1) inch. Water provided under Large Volume Service - Multiple Owner shall not be submetered for resale.

Section 1.04 – Large Volume Service – Single Owner

“Large Volume Service – Single Owner” means water service provided to a single tract of land owned by a single person, corporation, or other entity by means of a connection with a meter size larger than one (1) inch. Water provided under Large Volume Service – Single Owner shall not be submetered for resale.

Section 1.05 – LUE

“LUE” shall mean the equivalent of one single family residence that can be adequately served by a 5/8” X 3/4” water meter.

Section 1.06 – Manufactured Home

“Manufactured home” or “manufactured housing” means a structure transportable in one or more sections which, in the traveling mode, is eight body feet or more in width or 40 body feet or more in length or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. This term shall include any structure defined as a mobile home, HUD-code manufactured home, or manufactured home by TEXAS OCCUPATIONS CODE, CHAPTER 1201.

Section 1.07 – Manufactured Housing Park

“Manufactured housing park” means a single tract of land on which parking spaces for manufactured homes are rented to the general public primarily for nontransient use and for which rental is paid at intervals of one month or longer.

Section 1.08 – Monthly Customer Charge

“Monthly Customer Charge” means the cost to have water available at a meter.

Section 1.09 – Multiple Connection Service

“Multiple Connection Service” means a single meter serving multiple dwellings.

Section 1.10 – Recreational Vehicle

“Recreational vehicle” means a vehicle which is:

1. Built on a single chassis;
2. Four hundred (400) square feet or less when measured at the largest horizontal projections;
3. One hundred and two (102) inches or less in width;
4. Self-propelled or permanently towable by a light duty truck; and
5. Designed primarily not for use as a permanent dwelling but as temporary living quarters for recreational, camping, travel, or seasonal use.

Section 1.11 – Recreational Vehicle Park

“Recreational vehicle park” means a property on which parking spaces for recreational vehicles are rented to the general public primarily for transient use.

Section 1.12 – Standard Service

“Standard Service” means service to one living unit equivalent provided through 1” simple or smaller meter.

Section 1.13 – Usage Charge

“Usage Charge” means the charge billed for water delivered through a metered point of delivery.

Section 1.14 – Meter Certificate

“Meter Certificate” means a certificate issued by Aqua as compensation for the dedication of permanent recorded water line easements across private property.

SECTION 2.0 – RATE SCHEDULESection 2.01 – Rates

Aqua Water Supply Corporation

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a. Standard Service

The monthly charge for Standard Service shall be the sum of the Monthly Customer Charge and the Usage Charge. The Usage Charge shall be applicable to all water used.

Meter Type And Size	Monthly Customer Charge	Gallons Included	Usage Charge per 1,000 Gallons 1 to 10,000 gallons	Usage Charge per 1,000 Gallons 10,001 to 20,000 gallons	Usage Charge per 1,000 Gallons Over 20,001
5/8" simple	\$25.15	-0-	\$3.75	\$5.75	\$7.00
3/4" simple	\$25.15	-0-	\$3.75	\$5.75	\$7.00
1" simple	\$25.15	-0-	\$3.75	\$5.75	\$7.00

TCEQ Assessment

The assessments established by TCEQ shall be collected from each member.

Lost Pines Groundwater Conservation District Assessment

The assessments established by the Lost Pines Groundwater Conservation District shall be collected from each member.

b. Large Volume Service

The monthly charge for Large Volume Service shall be the sum of the Monthly Customer Charge and the Usage Charge. The Usage Charge shall be applicable to all water used.

Meter Type And Size	Monthly Customer Charge	Gallons Included	Usage Charge per 1,000 Gallons
1-1/2" simple	\$125.00	-0-	\$5.00
2" simple/compound or equivalent	\$200.00	-0-	\$5.00
2" turbine	\$245.00	-0-	\$5.00

Meter Type And Size	Monthly Customer Charge	Gallons Included	Usage Charge per 1,000 Gallons
3" compound or equivalent	\$380.00	-0-	\$5.00
3" turbine	\$570.00	-0-	\$5.00
4" compound or equivalent	\$650.00	-0-	\$5.00
4" turbine	\$1,160.00	-0-	\$5.00
6" compound or equivalent	\$1,330.00	-0-	\$5.00
6" turbine	\$3,160.00	-0-	\$5.00
8" compound or equivalent	\$3,620.00	-0-	\$5.00
8" turbine	\$5,190.00	-0-	\$5.00

TCEQ Assessment

The assessments established by TCEQ shall be collected from each member.

Lost Pines Groundwater Conservation District Assessment

The assessments established by the Lost Pines Groundwater Conservation District shall be collected from each member.

(1) Multiple Connection Service – Transient Use

A business such as a recreational vehicle park or motel that serves transient customers shall be required to pay only one Monthly Customer Charge for water service to customers of the business. A recreational vehicle park shall pay only one Monthly Customer Charge for water service provided to recreational vehicles regardless of the number of such vehicles served by the meter. Similarly, a motel shall pay only one Monthly Customer Charge for water service provided to motel rooms regardless of the number of rooms served by the meter.

(2) Multiple Connection Service – Nontransient Use

The Monthly Customer Charge for residential master meter service using meters of one (1) inch or less for apartments, multiunit residential structures, or manufactured housing parks shall be equal to the Monthly Customer Charge for a 5/8" meter times the number of dwelling units connected to the master meter on the date of meter reading each month. Where a master meter larger than one (1) inch has been installed as a Large Volume Service pursuant to a Feasibility Study performed by Aqua, the Monthly Customer Charge for the master meter shall be equal to the Monthly Customer Charge for a 5/8" meter times the Living Unit Equivalent (LUE) capacity of the meter as determined by Aqua.

(3) Multiple Connection Service – General Provisions Applicable to 1" or smaller Meters

If allowed under this Tariff as an exception to Aqua's one dwelling per meter policy stated in Section 3.07, when more than one dwelling is connected to a single meter, the member shall pay a multiple of the Monthly Customer Charge corresponding to the number of dwellings connected to the single meter.

(4) Recreational Vehicles and Manufactured Homes – General Provisions

When any recreational vehicle used for human habitation is parked in a location other than a recreational vehicle park and is connected to a meter, a Monthly Customer Charge must be paid for that vehicle. Also, a Monthly Customer Charge must be paid for each and every manufactured home connected to a meter, unless the manufactured home is located in a manufactured housing park where a master meter larger than one (1) inch has been installed pursuant to a Large Volume Service Agreement, in which case the Monthly Customer Charge for the master meter shall be equal to the Monthly Customer Charge for a 5/8" meter times the LUE capacity of the meter as determined by Aqua.

Section 2.02 – Connection Fees

- a. Single Dwelling or Single Non-Residential Business Connection (for lots located within compliant subdivisions where capacity has been reserved or for properties not located within a subdivision)

Meter Installation – Straight Set
(no line extension, no road crossing)

Meter Type and Size	Meter Setting Fee	+	System Development Fee	=	Tap Fee	+	Membership Fee	=	Total Fee
5/8" simple	\$380.00		\$3,900.00		\$4,280.00		\$100.00		\$4,380.00
3/4" simple	\$400.00		\$5,650.00		\$6,050.00		\$100.00		\$6,150.00

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Meter Type and Size	Meter Setting Fee	+	System Development Fee	=	Tap Fee	+	Membership Fee	=	Total Fee
1" simple	\$600.00		\$9,150.00		\$9,750.00		\$100.00		\$9,850.00

- b. Non-Compliant Subdivisions or Subdivisions requiring capacity reservation (capacity has not been previously reserved)

Meter Installation – Straight Set
(no line extension, no road crossing)

Meter Type and Size	Meter Setting Fee	+	System Development Fee ¹	=	Tap Fee	+	Membership Fee	=	Total Fee
5/8" simple	\$380.00		\$4,500.00		\$4,880.00		\$100.00		\$4,980.00
3/4" simple	\$400.00		\$6,250.00		\$6,650.00		\$100.00		\$6,750.00
1" simple	\$600.00		\$9,750.00		\$10,350.00		\$100.00		\$10,450.00

- c. Multiple Connection Service, 1" or smaller Meter
Straight Set (no line extension, no road crossing)

For meter sizes 1" and smaller, the tap fee for a multiple dwelling connection such as an apartment, multiunit residential structure, or manufactured housing park shall include the meter setting fee for the meter size specified by Aqua plus a System Development Fee equal to the System Development Fee for a 5/8" meter times the number of dwelling units or manufactured home pad sites to be connected to the meter.

Multiple Connection Service is available only for apartments, manufactured housing parks, and multiunit residential structures such as duplexes. All other residential service must comply with the one dwelling per meter policy stated in Section 3.07 of this Tariff. Whenever an increase is proposed in the number of dwelling units, or in the case of a nontransient manufactured housing park, an increase in the number of pad sites, the member shall pay to Aqua the appropriate System Development Fee before making such expansion. Whenever Aqua determines that the number of dwelling units or pad sites connected to a master meter exceeds the number of units that have been paid for by the member, the member shall pay a System Development Fee equal to the System Development Fee for a 5/8" meter times the number of additional dwelling units or pad sites that are connected to the meter. The System Development fee for the additional

¹ \$600 of the System Development Fee is for the capacity reservation fee.