



## Filing Receipt

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**Control Number - 53331**

**ItemNumber - 1**

## Application Summary

**Transferor:** Stonebridge Water Supply Corporation

*(selling entity)*

**CCN No.s:** 12415

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

**Transferee:** Cross Timbers Water Supply Corporation

*(acquiring entity)*

**CCN No.s:** 10197

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

**County(ies):** Denton

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### Please mark the items included in this filing

<input 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 checked="" 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 checked="" type="checkbox"/>	Certificate of Account Status	Part C: Question 7
<input checked="" type="checkbox"/>	Financial Audit	Part C: Question 10
<input checked="" type="checkbox"/>	Application Attachment A & B	Part C: Question 10
<input checked="" type="checkbox"/>	Disclosure of Affiliated Interests	Part C: Question 10
<input checked="" type="checkbox"/>	Capital Improvement Plan	Part C: Question 10
<input checked="" 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 checked="" 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 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:

Stonebridge WSC has two wells that are in the end of life condition. On November 7, 2021, the Stonebridge WSC Board of Directors recommended and the Membership voted unanimously that an application be submitted for a merger with Cross Timbers WSC. Stonebridge WSC had to enter into an Operation, Maintenance, and Supply Agreement on January 4, 2022 in order to continue to receive a safe and adequate supply of water for its Membership and to stay in compliance with TCEQ rules as the licensed water operator for the Corporation was resigning.

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: Stonebridge Water Supply Corporation  
(individual, corporation, or other legal entity)  
☐ Individual ☐ Corporation ☒ WSC ☐ Other: \_\_\_\_\_

B. Mailing Address: PO Box 246, Argyle, TX 76226-0246

Phone: (817) 307-6873 Email: rustyvaden@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: Rusty Vaden Title: President

Mailing Address: 13009 Stonebridge Road, Argyle, TX 76226

Phone: (817) 307-6873 Email: rustyvaden@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 16

☐ # 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: Cross Timbers Water Supply Corporation

(individual, corporation, or other legal entity)

☐ Individual ☐ Corporation ☒ WSC ☐ Other:

B. Mailing Address: 2032 E Hickory Hill Rd, Argyle, TX 76226-3125

Phone: (940) 584-0780

Email: chad@crosstimberswater.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: Jackson Wolf

Title: General Manager

Address: 2032 E Hickory Hill Rd, Argyle, TX 76226-3125

Phone: (940) 584-0780

Email: chad@crosstimberswater.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): 20253301

☒ 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: Patrick McDonald

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

Address: 2032 E Hickory Hill Rd, Argyle, TX 76226

Phone: (940) 584-0780 Email: \_\_\_\_\_

Name: Larry Kaufman

Position: Vice President Ownership % (if applicable): 0.00%

Address: 2032 E Hickory Hill Rd, Argyle, TX 76226

Phone: (940) 584-0780 Email: \_\_\_\_\_

Name: Michael Paulson

Position: Secretary-Treasurer Ownership % (if applicable): 0.00%

Address: 2032 E Hickory Hill Rd, Argyle, TX 76226

Phone: (940) 584-0780 Email: \_\_\_\_\_

Name: Jackson Wolf

Position: General Manager Ownership % (if applicable): 0.00%

Address: 2032 E Hickory Hill Rd, Argyle, TX 76226

Phone: (940) 584-0780 Email: chad@crosstimberswater.com

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:

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

Stonebridge WSC's licensed water operator resigned in January 2022. The costs associated with hiring replacement services is beyond the capabilities of the WSC. In addition, the wells providing water to the Membership are at the end of their useful lives and costs to replace them would be prohibitive. Stonebridge WSC will plug and abandon the wells as part of the merger agreement. Water from the Cross Timbers WSC (see attached Operation, Maintenance, and Supply Agreement) is being supplied as of March 2022.

**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:	\$	3,682.00
Accumulated Depreciation of Plant:	\$	-3,380.00
Cash:	\$	14,697.00
Notes Payable:	\$	0.00
Mortgage Payable:	\$	0.00
(Proposed) Acquisition Adjustment*:	\$	-14,999.00
* 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.)

Cross Timbers WSC will bill in accordance with its 2022 filed Tariff after the merger is approved. Based on the differences in the rate structure and the rates, water cost for each Stonebridge WSC Member will increase approximately \$18 per month.

**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:

**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:

Stonebridge WSC wells currently produce less than 1.8 million gallons per year and Members have to limit water use during certain periods. There is no fire protection available in the CCN territory. A merger with Cross Timbers WSC will ensure that safe and adequate water is available. Cross Timbers WSC has a one million gallon per day well located within 3 miles of the CCN territory, has a 750,000 gallon elevated water tank at the well location, and has six and eight inch water lines located less than 1,000 feet from the CCN territory. Cross Timbers WSC has extended a six inch water line to the CCN territory and add a fire hydrant to the CCN territory. Members have access to safe and adequate water as needed to maintain their residential properties effective March 1, 2022.

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.

Cross Timbers WSC has been in business since 1964, has 2,611 active connections, has six wells and has purchased water availability of an additional 2.5 MGD. Cross Timbers WSC has 93 miles of pipe in place for distribution purposes. Cross Timbers WSC has six licensed water operators with C and D water distribution and water production and treatment licenses; has three operators with B and C sewer licenses; has three operators with Customer Service Inspection licenses. Cross Timbers WSC has a fully operational Supervisory Control and Data Acquisition (SCADA) system for maintenance and operational purposes. Cross Timbers WSC is fully compliant with all TCEQ and PUC rules and regulations. It's Tariff for 2022 has been filed with and accepted by the Public Utilities Commission.

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:

There will be no impact on environmental integrity or the land.

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

The Membership of Stonebridge WSC will have a safe and adequate supply of water, will have new meters installed, will have fire protection added to the Membership water lines, and will have the ability to expand their water use to meet demand. Several of the properties are large and Members have considered subdividing the land for more homes but could not due to the limitations of the wells. This issue will be eliminated with the Merger.

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:

Argyle Water Supply Corporation - was contacted and did not have capability to absorb additional connections  
Denton County Freshwater Supply District #6/7 - cannot expand beyond their territory



**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: 0610085 (7 digit ID)

Name of PWS: Stonebridge Water Supply Corporation

Date of last TCEQ compliance inspection: June 22, 2020 (attach TCEQ letter)

Subdivisions served: Stonebridge

**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
13	5/8" or 3/4"		3"		Commercial
3	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			16	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: Cross Timbers Water Supply Corporation

Water: x

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:	1,800,000.00	100.00%
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:

Name (as it appears on license)	Class	License No.	Water or Sewer
James W Hatfield	C	WG0016430	Water

#### 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: 200.00

Number of customer connections in the requested area: 16

Affected subdivision : Stonebridge

The closest city or town: Bartonville

Approximate mileage to closest city or town center: 4

Direction to closest city or town: South

The requested area is generally bounded on the North by: Argyle

on the East by: Bartonville

on the South by: Bartonville

on the West by: Argyle

31. A copy of the proposed map will be available at: attached

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 Transferor (Transferring Entity)**

STATE OF TEXAS

COUNTY OF DENTON

I, Rusty Vaden being duly sworn, file this application for sale,  
transfer,

merger, consolidation, acquisition, lease, or  
rental, as

**President**

(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.

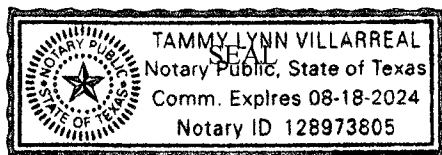


**AFFIANT**

(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 3rd of March, 2022



  
NOTARY PUBLIC IN AND FOR THE

STATE OF TEXAS

Tammy Lynn Villarreal  
PRINT OR TYPE NAME OF NOTARY

My commission expires: 8-18-2024

## Oath for Transferee (Acquiring Entity)

STATE OF TEXAS

COUNTY OF DENTON

I, Jackson Wolf being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as General Manager  
(owner, member of partnership, title as officer of corporation, or authorized representative)

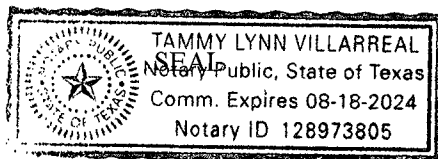
I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth 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.

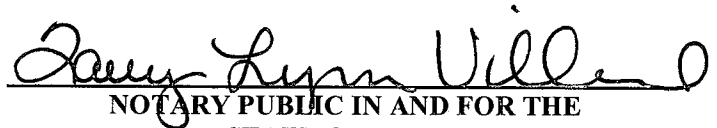
I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney 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 3rd of March, 2022



  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS  
Tammy Lynn Villarreal  
PRINT OR TYPE NAME OF NOTARY

My commission expires: 8-18-2024

**STONEBRIDGE WATER SUPPLY CORPORATION**  
**TARIFF**

This Plan was adopted by the Board at a properly noticed meeting held on December 28, 2002.  
Revised January 19, 2003. Approved by the Board at the annual meeting January 20, 2003.  
Rates revised and adopted at a properly noticed meeting of members and Board held on January 25, 2004.  
Confirmation of receipt by TCEQ dated August 6, 2004.

**WATER UTILITY TARIFF**

**FOR**

Stonebridge Water Supply Corporation  
P.O. Box 246  
Argyle, Texas 76226  
(940) 241-2026

This tariff is effective for utility operations under the following Certificate(s) of Convenience and Necessity:  
Certificate No. 12415

This tariff is effective in the following counties: Denton

This tariff is effective in the following cities or unincorporated towns (if any): NONE

This tariff is effective in the following subdivisions or systems: "Ranchitos" Estates



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**SECTION 1.0**

**RATES & SERVICE FEES**

## 1.0 Rate and Service Fees

Unless specifically defined in this Tariff, all fees, rates, and charges as herein stated shall be non-refundable.

### 1.1 Rate Schedule

Base rate		\$25.00 +
0 to 3,000	gals	2.35 per thousand gals
3,000 to 15,000	gals	2.78 "
15,001 to 30,000	gals	3.42 "
30,001 to 50,000	gals	4.25 "
over 50,000	gals	5.89 "

### 1.2 Service Fees

**1.2.1 Membership Fees:** At the time the applicant requests service from SWSC and satisfies the requirements for membership as outlined in this Tariff and SWSC Bylaws, a Membership Fee must be paid. This Fee shall be the average of the amount currently being charged by the Argyle and Bartonville Water Supply Corporations.

**1.2.2 Late Payment Fees:** A penalty of \$1.00 shall be charged for the first late payment. A charge of \$5.00 shall be made for subsequent late payments.

**1.2.3 Reconnect Fee:** A reconnect fee amounting to the actual charge of the Operator will be charged before service can be restored to a Customer who has been disconnected at a) the customer's request, b) reasons listed under Section 1.2.5 of this Tariff, or c) for reasons listed in the Commission's Substantive Rules.

**1.2.4 Equipment Damage Fee:** If the Corporation's facilities or equipment have been damaged by tampering, by-passing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other Corporation actions shall be charged and paid before service is re-established. If SWSC equipment has not been damaged, a fee equal to the actual costs of labor, material, equipment, and other actions necessary to correct service diversions, etc., done without authority. All components of this fee will be provided to the member.

**1.2.5** If the Corporation's facilities or equipment have been damaged due to negligence or unauthorized use of the SWSC equipment, right-of-way, or meter shut-off valve; or due to other acts for which the Corporation incurs losses or damages, the member shall be liable for all labor and material charges incurred as a result of said acts or negligence.

**SECTION 2.0**

**SERVICE RULES AND REGULATIONS**

## 2.0 Service Rules and Regulations

**2.1 Service Entitlement:** An Applicant shall be considered fully qualified and entitled to service when terms and conditions of service and membership have been met, and all fees have been paid as prescribed by this Tariff.

**2.2 Application Procedures and Requirements:** The Applicant shall provide proof of ownership or title to property for which service has been requested in manner acceptable to the Association, meeting Bylaws requirements for Membership, and shall complete documents or forms for Membership as may be required by the Association.

**2.3 Activation of Service:** Service shall begin when Applicant has met requirements for Membership in SWSC and installation, by the Association, or a meter has been accomplished.

### 2.4 Membership:

**2.4.1** Every person owning or having a legal right to the control, possession or occupancy of property served by the Association and who desired service from the Association shall become a member of SWSC upon payment of the Membership Fee.

**2.4.2 Membership Certificates:** Upon qualification for Membership and acceptance of the Membership Fee, the Association shall issue a Membership Certificate to the Applicant. The Membership Certificate provides proof of Membership in the Association and shall entitle the Applicant to one (1) connection to the Association's water main and one (1) vote in the conducting of the affairs of any Annual or Special Membership Meeting of the Association as prescribed by the Association Bylaws. No Member, regardless of the number of Certificates he owns, shall be entitled to more than one (1) vote.

**2.4.3 Transfers:** Membership in the Association shall be freely transferred from the original Members, their transferees, pledges, administrators or executors, or purchasers at judicial sale to other persons provided the person to whom the membership is being transferred meets and complies with the requirements for membership as provided in Association Bylaws and this Tariff.

**2.4.4 Cancellation of Membership:** To keep a Membership in good standing, a Service Availability Charge (Minimum Monthly Charge) must be paid monthly to the Association, whether or not water is used. Failure to pay the monthly charge shall jeopardize the Member's Membership standing. A member may be relieved of this obligation by surrendering his Membership Certificate; all fees, charges, and rates previously paid for service at such location shall be forfeited to the Association.

**2.4.5 Owners and Renters:** Any SWSC Member renting or leasing property to other parties are responsible for all charges due the Association in the event a renter or lessee leaves the Association any unpaid bills. The Association will bill the renter or lessee for water service as a third party, but the member is fully responsible for any and all unpaid water utility bills left by the renter/lessee.

**2.5 Denial of Service:** The Association may deny service for the following reasons:

**2.5.1** Failure of the Applicant/Transferee to complete all required forms/pay all appropriate fees and charges;

**2.5.2** Failure of Applicant/Transferee to comply with rules, regulations, policies and bylaws of the Association.

**2.5.3** Existence of a hazardous condition at the Applicant's property which would, in the Association's judgment, jeopardize the welfare of the Members of the Association upon connection;

**2.5.4** Failure of the Applicant or Transferee to comply with all governmental rules and regulations of the Association of file with the state regulatory agency governing the service applied for by the Applicant.

2.5.5 Failure of the Applicant/Transferee to provide proof of ownership, to the satisfaction of the Association, or property for which the tap has been requested, and/or

2.5.6 Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.

2.6 Applicant's or Transferee's recourse: In event the Association refuses to serve Applicant under the provision of these rules, the Association must notify the Applicant in writing by mailing such notice to the Applicant at the address given by the Applicant to SWSC upon application.

2.7 Billing—Due Dates, Delinquent Bills, and Service Disconnection Date: The Secretary/Treasurer of the Association will mail or hand deliver all bills on/about the 1<sup>st</sup> day of the month; bills will be payable by the 10<sup>th</sup> of the month unless a later date is stated on said bill. If payment is not made for water charged until after the stated due date, a \$1.00 late fee will be charged. Subsequent late payments will result in a penalty of \$5.00 for each occurrence. Payments overdue by thirty (30) days will be brought to the attention of the Board of Directors, empowered with the authority to discontinue water service without further notice by reason of non-payment of water usage charges and/or assessments.

2.7.1 Bills:

Each bill shall show the following information:

1. The date and reading of the meter at the beginning and at the end of the period for which the bill is rendered.
2. Total gallons used.
3. Total amount due for water.
4. Due date of the bill.
5. The applicable rate schedule.

2.7.2 Disputes: In event a Member finds a discrepancy in the total gallons for which he has been billed and that which is shown on his meter, he may call the Secretary/Treasurer and report the difference. The Secretary/Treasurer will request the Operator, whose responsibility it is to read the meters, to re-read the Member's meter. If an error is found, the Member may pay only the portion of the bill for which he is currently responsible, or he may pay an adjusted bill the following month.

2.8 Rules for Disconnection for Service with Notice: The following describe the rules and conditions for disconnection of service with notice: (Service may be disconnected after proper notice, in writing and mailed to the Member's address).

2.8.1 Failure to pay a delinquent account;

2.8.2 Willful violation of a utility usage rule when that violation interferes with another Member's service;

2.8.3 Violation of the Association's rules pertaining to the use of service in a manner which interferes with the service of other Members;

2.8.4 Failure to provide access to the meter under the terms of this Tariff;

2.8.5 Misrepresentation by any Applicant/Transferee of any fact on any form, document, or other agreement required to be executed by SWSC.

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

2.9.1 A known dangerous condition exists, for which it may remain disconnected for as long as the condition exists.

2.9.2 Service is connected without authority by a person who has not made application for service or who has reconnected service without authority following termination of service for non-payment; and

2.9.3 In instances of tampering with the Association's meter or equipment, by-passing the meter or equipment, or other diversion of service.

2.9.3.1 Meter Tampering and Diversion: For purposes of these sections, meter-tampering, by-passing, or diversion of the Association's meter or equipment, shall all be defined as tampering with the Association's meter or equipment, by-passing the same, or other instances of diversion, such as physically disorienting the meter, the attachment of electrical or mechanical devices to by-pass or divert service.

2.10 Meter Relocation: Relocation of Meter/Taps shall be allowed by the Corporation provided that:

1. No transfer of Membership is involved.
2. An easement for the proposed location has been granted to SWSC;
3. The property of the new location requested is owned by the current member of the meter to be moved;
4. That the existing tap location is contiguous to the proposed tap location, and that
5. The Member pays the actual cost of relocation.

2.11 Replacement of Meters: As provided in Association Bylaws, SWSC will replace meters when they are 15 years old, unless it becomes apparent and tests prove that the meter is disfunctional.

2.12 One Residential Unit Per Meter: SWSC Bylaws require that ONLY ONE residential unit shall be serviced through each tap.

2.12.1 Under the terms of this Tariff, each tap to the pipeline is a unit and the Monthly Service Availability Charge shall be paid, whether or not water is used.

2.13 Members' Responsibilities:

2.13.1 The Member shall provide access to the tap at all reasonable times for the purpose of reading, installing, checking, repairing, or replacing the meter. Member shall provide a key to locked gates. Should the meter be inaccessible, the Secretary/Treasurer shall notify the Member in writing or by telephone of the problem. Should the inaccessibility continue for three (3) months, then service may be discontinued with no further notice.

2.13.2 The Member shall see that all plumbing connections shall be made to comply with the Texas Department of Health Rules and Regulations. All connections shall be designed to insure against back-flow or siphonage into the Association's water supply.

2.13.3 The Association's ownership and maintenance responsibility of water supply and metering equipment shall end at the point where the Member connects to the equipment provided by the SWSC during the installation of the metering equipment. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and provided by SWSC shall be subject to charges as determined by the SWSC Tariff as amended from time to time by the Board of Directors.

2.13.4 The Association shall require each Member to have a cut-off valve on the main side of the meter for purposes of isolating the Member's pipeline and plumbing facilities from SWSC's water pressure. Current meters deficient in this respect will be brought into compliance when replaced as needed/15 years, whichever is earliest.

2.13.5 The Member shall bear the cost of crossing/going under a road in order for a pipeline to be brought to his property.

2.14 Records of the Association: Records of SWSC shall be kept by the Secretary/Treasurer in Argyle, Texas. The records may, upon request, be examined by any member of the Association.





**SECTION 3.0****SERVICE EXTENSION**

### 3.0 Service Extension

3.1 All Applicants must recognize that the Association must comply with local, state, and federal rules and regulations as promulgated from time to time.

3.2 The purpose of this section shall be to govern agreements and service procedures for additional piping, service facilities, etc. as are required to accommodate individual applicants.

3.3 The Board of Directors shall determine whether or not the applicant's service request falls within the ability of the SWSC to comply. It is the intent of the Association to provide water service to all eligible persons desiring service to the extent that the capabilities of the water system will reasonably permit. However, expansion of the service may be denied by a majority vote of the membership at a special or regular meeting when the providing of additional service requested would prevent the system from providing adequate service to existing Members.

3.3.1 The Applicant shall provide the Association an original signed letter containing information pertinent to the service request. The letter shall state that the Applicant has been provided a copy of the Association's Tariff.

3.3.2 Applicants for single taps involving extension of upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

3.3.3 All investigative expenses for application for service expansion/extension shall be the Applicant's.

2.2.4 Should the Board of Directors of SWSC / Membership of SWSC allow the request of the Member for expansion of service, the Board of Directors shall then form an agreement with the Applicant for providing the service.

**SECTION 4.0**

**DROUGHT CONTINGENCY  
AND  
EMERGENCY WATER DEMAND MANAGEMENT PLAN**

#### 4.0. DROUGHT CONTINGENCY AND EMERGENCY WATER DEMAND MANAGEMENT PLAN

##### 3 1. INTRODUCTION

The goal of this plan is to cause a reduction in water use in response to drought or emergency conditions so that the water availability can be preserved. Since emergency conditions can occur rapidly, responses must also be enacted quickly. This plan has been prepared in advance considering conditions that will initiate and terminate the rationing program.

The Drought/Emergency Management Committee consisting of the two Board Members and the Operator will monitor usage patterns and public education efforts and will make recommendations on future conservation efforts, demand management procedures or any changes to this plan. The Committee will develop public awareness notices, bill stuffers, and other methods that will begin and continue as a constant type of reminder that water should be conserved at all times, not just during a drought or emergency. This Committee will also review and evaluate any needed amendments or major changes due to changes in the SWSC service area population, distribution system or supply. This review and evaluation will be done on a regular basis of five years unless conditions necessitate more frequent amendments.

The plan will be implemented according to the three stages of rationing as imposed by the Board. Paragraph 4 describes the conditions that will trigger these stages.

##### 4.2. PUBLIC INVOLVEMENT

Opportunity for the Stonebridge Water Supply Corporation Members to provide input into the preparation of the Plan was provided during our Annual meeting January 20, 2001. The Committee will take into consideration any and all comments from customers.

##### 4.3. COORDINATION WITH REGIONAL WATER PLANNING GROUP

Being located within the Region C, a copy of this Plan will be provided to that Regional Water Planning Group as needed.

##### 4.4. TRIGGER CONDITIONS

The Drought/Emergency Management Committee is responsible for monitoring water supply and demand conditions on a monthly basis (or more frequently if conditions warrant) and shall determine when conditions warrant initiation or termination of each stage of the plan, that is, when the specified triggers are reached. The Committee will monitor monthly operating reports, water supply or storage tank levels and/or rainfall as needed to determine when trigger conditions are reached. The triggering conditions described below take into consideration: the vulnerability of the water source under drought of record conditions; the production, treatment and distribution capacities of the system, and member usage based upon historical patterns.

- a. Stage I - Mild Condition: Stage I water allocation measures may be implemented when one or more of the following conditions exist:
  - 1) Water consumption has reached 80 percent of daily maximum supply for three (3) consecutive days.
  - 2) Water supply is reduced to a level that is only 20 percent greater than the average consumption for the previous month.
  - 3) The daily use has risen 20 percent above the use for the same period during the previous year.
- d. Stage II - Moderate Conditions: Stage II water allocation measures may be implemented when one of the following conditions exist:
  - 1) Water consumption has reached 90 percent of the amount available for three (3) consecutive days.

- 2) The normal water level in any of the water storage tanks cannot be replenished for three (3) consecutive days. Example: The highest recorded water level drops six (6) feet or more for three (3) consecutive days.

d. Stage III - Severe Conditions: Stage III water allocation measures may be implemented when one of the following seven conditions exist:

- 1) Failure of a major component of the system or an event which reduces the minimum residual pressure in the system below 20psi for a period of 24 hours or longer.
- 2) Water consumption of 95 percent or more of the maximum available for three (3) consecutive days.
- 3) Water consumption of 100 percent of the maximum available and the water storage levels in the system do not recover during one 24-hour period.
- 4) Natural or man-made contamination of the water supply source(s).
- 5) The declaration of a state of disaster due to drought conditions in a county or counties served by the Corporation.
- 6) Other unforeseen events which could cause imminent health or safety risks to the public.

#### 4.5. STAGE LEVELS OF WATER ALLOCATIONS

The stage levels of water allocations may be placed in effect by the triggers in Paragraph 4. The System shall institute monitoring and enforce penalties for violations of the Drought/Water Management Plan for each of the Stages listed below. The water allocation measures are summarized below.

a. Stage I- Mild Conditions

- 1) Alternate day, time of day, or duration restrictions for outside water usage allowed.  
(System will notify Customers which restriction is in effect)
- 2) The system will reduce flushing operations.
- 3) Reduction of customers' water use will be encouraged through notices on bills or other method.

d. Stage II - Moderate Conditions

- 1) All outside water use may be prohibited (except for livestock variances).

d. Stage III - Severe Conditions

- 1) All outside watering prohibited.
- 2) Water use will be restricted to a percentage of each member's prior month usage. This percentage may be adjusted as needed according to demand on the system. Notice of this amount will be sent to each customer.
- 3) Corporation shall continue enforcement and educational efforts.

NOTE:

- There may be additional restrictions imposed by Governmental Entities.
- Meters will be read as often as necessary to insure compliance with this program for the benefit of all the customers.

#### 4.6. INITIATION AND TERMINATION PROCEDURES

Once a trigger condition occurs the President or Vice-President shall based on recommendation from the operator decide if the appropriate stage of rationing shall be initiated. The initiation may be delayed if there is a reasonable possibility the water system performance will not be compromised by the condition. If water allocation is to be instituted, a written or verbal notice to the customers shall be given.

Written notice of the proposed water allocation measure shall be mailed or delivered to each affected customer upon the initiation of each stage. In addition, upon adoption of stage II or Stage III, a notice will be placed in a local newspaper. The customer notice shall contain the following information:

- a. The date water allocation shall begin.
- b. The expected duration.
- c. The stage (level) of water allocations to be employed.
- d. Penalty for violations of the water allocation program.
- e. Affected area or areas.

When the trigger condition no longer exists then the President or Vice-President may terminate the water allocations provided that such an action is based on sound judgment. Written notice of the end of allocations shall be given to customers. A water allocation period may not exceed 60 days without extension by action of the Board.

#### 4.7. PENALTIES FOR VIOLATIONS

- a. First Violation - The customer/member will be notified by a written notice of their specific violation.
- b. Second Violation - The Corporation may install a flow restricting device in the customer's service line to limit the amount of water that will pass through the meter in a 24 hour period. The cost of this shall be the actual cost to do the work and shall be paid by the customer.
- c. Subsequent Violations - The Corporation may terminate service for up to 7 days and charge for the service call to restore service.

These provisions apply to all customers of the Corporation.

#### 4.8. EXEMPTIONS OR WAIVERS

The Drought/Emergency Management Committee may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health or sanitation for the public or the person requesting such variance and if one or more of the following conditions are met:

- a. Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- b. Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the Drought/Emergency Management Committee within 2 days after the Plan or a particular drought response stage has been invoked or after a condition justifying the variance first occurs. All petitions for variances shall be reviewed by the Committee and shall include the following:

- Name and address of the petitioner(s).
- Purpose of water use.
- Specific provision(s) of the Plan from which the petitioner is requesting relief.
- Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Plan.
- Description of the relief requested.
- Period of time for which the variance is sought.
- Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- Other pertinent information, as requested by the Committee.

Variances granted by the Committee shall be the subject to the following conditions, unless specifically waived or modified by the Committee or Board of Directors:

- Variances granted shall include a timetable for compliance.
- Variances granted shall expire when the water allocation is no longer in effect, unless the petitioner has failed to meet specified requirements. No variance allowed for a condition requiring water allocation will

continue beyond the termination of water allocation under Section F. Any variance for a subsequent water allocation must be petitioned again. The fact that a variance has been granted in response to a petition will have no relevance to the Committee's decision on any subsequent petition.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

#### 4.9. IMPLEMENTATION

The SWSC Board will review the procedures in this plan annually or more frequently. Modifications may be required to accommodate system growth, changes in water use demand, available water supply and/or other circumstances.

This Plan was adopted by the Board at a properly noticed meeting held on December 28, 2002. Revised January 19, 2003. Approved by the Board at the annual meeting January 20, 2003. Rates revised and adopted at a properly noticed meeting of members and Board held on January 25, 2004.

# Stonebridge Water Supply Corp

## Rates

2/19/2021  
Existing Rates

Monthly Minimum	25.00
0 to 3,000 gallons	2.68 per thousand
3,001 to 15,000 gallons	3.16 " "
15,001 to 30,000 gallons	3.86 " "
30,001 to 50,000 gallons	4.77 " "
all usage over 50,000 gallons	10.10 " "

Usage	Water	Tax	Total
1000	27.68	0.14	27.82
2000	30.36	0.15	30.51
3000	33.04	0.17	33.21
4000	36.20	0.18	36.38
5000	39.36	0.20	39.56
6000	42.52	0.21	42.73
7000	45.68	0.23	45.91
8000	48.84	0.24	49.08
9000	52.00	0.26	52.26
10000	55.16	0.28	55.44
11000	58.32	0.29	58.61
12000	61.48	0.31	61.79
13000	64.64	0.32	64.96
14000	67.80	0.34	68.14
15000	70.96	0.35	71.31
16000	74.82	0.37	75.19
17000	78.68	0.39	79.07
18000	82.54	0.41	82.95
19000	86.40	0.43	84.92
20000	90.26	0.45	90.71

Usage	Water	Tax	Total
22000	97.98	0.48	98.46
24000	105.70	0.52	106.22
26000	113.42	0.55	113.97
28000	121.14	0.59	121.73
30000	128.86	0.63	129.49
32000	138.40	0.68	139.08
34000	147.94	0.72	148.66
36000	157.48	0.77	158.25
38000	167.02	0.82	167.84
40000	176.56	0.86	177.42
42000	186.10	0.91	187.01
44000	195.64	0.96	196.60
46000	205.18	1.00	206.18
48000	214.72	1.05	215.77
50000	224.26	1.10	225.36
55000	274.76	1.35	276.11
60000	325.26	1.60	326.86
65000	375.76	1.85	377.61
70000	426.26	2.10	428.36
75000	476.76	2.35	479.11





PART C - ITEM 7

John Steen  
Secretary of State

## Office of the Secretary of State

### CERTIFICATE OF FILING OF

CROSS TIMBERS WATER SUPPLY CORPORATION  
20253301

[formerly: BARTONVILLE WATER SUPPLY CORPORATION]

The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Amendment for the above named entity has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

Dated: 03/14/2013

Effective: 04/01/2013



A handwritten signature of John Steen, consisting of a stylized 'J' followed by 'Steen'.

John Steen  
Secretary of State

FILED In the Office of the  
County Clerk of Texas  
This 25 day of May 1964  
Deputy County Clerk Division

ARTICLES OF INCORPORATION  
OF

BARTONVILLE WATER SUPPLY CORPORATION

THE STATE OF TEXAS  
COUNTY OF DENTON

KNOW ALL MEN BY THESE PRESENTS:

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 Bartonville 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.

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 community of Bartonville, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the

Bartonville Community in Denton County, Texas, and the surrounding rural areas.

ARTICLE V.

The Street address of the initial registered office of the Corporation is Route # One, Argyle, Texas and the name of its initial registered agent at such address is Marvin E. Ellis.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is Five (5), and the names and addresses of the persons who are to serve as the initial directors are:

NAME	ADDRESS	CITY
Ray Robertson	Route #2,	Lewisville, Texas
R.H. Burgess	Route #2,	Lewisville, Texas
Marvin E. Ellis	Route #1,	Argyle, Texas
A. M. Alley	Route #2,	Lewisville, Texas
W. J. Brown	Route #1,	Argyle, Texas

ARTICLE VII.

The name and street address of each incorporator is:

NAME	ADDRESS	CITY
Ray Robertson	Route #2,	Lewisville, Texas
R. H. Burgess	Route #2,	Lewisville, Texas
Marvin E. Ellis	Route #1,	Argyle, Texas
A. M. Alley	Route #2,	Lewisville, Texas
W. J. Brown	Route #1,	Argyle, Texas

ARTICLE VIII.

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. Upon the issuance of the Charter and annually thereafter on the first Tuesday in January the Board of Directors shall elect a President, a Vice-President, and a Secretary-Treasurer. The position of the Secretary-Treasurer shall be placed under a fidelity bond in an amount which shall be set by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$1,000.00.

ARTICLE IX.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation and 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 such 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 such Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs, and for deficiencies in income necessary to meet debt service costs.

ARTICLE X.

The Corporation may make and collect charges for water delivered in such amounts and in such manner as may be provided for in the By-Laws and make additional charges, prospective and retroactive, on the basis of the number of connections or otherwise as may be provided for, in the By-Laws. It may adjust rates from time to time to cover deficiencies in income in the event the amount collected from water and other charges is insufficient in any year to operate and maintain the water system and pay annual obligations and to enforce the collection thereof by the termination of water service or otherwise as provided in the By-Laws and by a personal action at law. In addition, at the end of any fiscal year the Corporation may make and levy an assessment against each member of the Corporation in the manner and for the purposes as may be provided for in the By-Laws and may enforce the collection of same by termination of water service or otherwise as provided for in the By-Laws and by a personal action at law.

ARTICLE XI.

The Board of Directors shall select as depository for the funds of said Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of said Corporation.

ARTICLE XII.

The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve fund account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum of \$ 250.00 per month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals \$ 2,500.00; provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to \$ 2,500.00.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in revenue for loan payments. One of the objects of this reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited, in bonds or other evidence of indebtedness of the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with the Federal Deposit Insurance Corporation. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE XIII.

The Corporation is and shall continue to be a Corporation without capital stock. Membership in the Corporation shall be sold for \$50.00 per member.

ARTICLE XIV.

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 our hands, this the 8th day of April, 1964.

Ray Robertson  
R.H. Burgess  
Marvin E. Ellis  
A.M. Alley  
Wilton B. Brown

THE STATE OF TEXAS  
COUNTY OF DENTON

I, Robert Buntyn, a Notary Public, do hereby certify that on this 9th day of April, 1964, personally appeared before me, Ray Robertson, R.H. Burgess, Marvin E. Ellis, A.M. Alley, and W. J. Brown, who each being by me first duly sworn, severally declared that they are the persons 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.

Robert Buntyn  
Notary Public in and for  
Denton County, Texas

My commission expires June 1, 1965.

NOTARY PUBLIC  
DENTON COUNTY, TEXAS

## **BY-LAWS**

### ***CROSS TIMBERS WATER SUPPLY CORPORATION***

By-Laws of CROSS TIMBERS 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 at all members' and directors' meetings. The President may, and upon demand of one-third (1/3) of the members shall, call a special meeting of the members or directors, and he may, and shall, upon demand of one-third (1/3) of such directors, call a special meeting of the directors or membership. Such special meeting shall be held upon giving the notice required in Article XII of the By-Laws. The President shall perform all other duties that usually pertain to the office or are delegated to him 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 the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of members and directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the directors. Checks must be signed by the Secretary-Treasurer and the President or Vice-President in the absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or 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 in all official duties.

The position of the Secretary-Treasurer and other positions 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 by the Board of Directors. It must be at least equal to the maximum amount of monies on hand at any one time, but shall not be less than \$1,000.

#### **ARTICLE IV.**

The Board of Directors shall consist of seven (7) directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter immediately following the annual meeting of the membership in April, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The directors shall be elected by the members at the members' regular meeting provided for in Article XI of the By-Laws. The directors shall be divided into three classes, each class to be as near as equal in number as possible, the terms of the directors of the first class to expire at the first annual meeting of the shareholders after their election, the terms of the directors of the second class to expire at the second annual meeting after their election and the terms of the directors of the third class to 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. The directors shall serve without pay, but may be compensated for actual expenses by a majority vote of directors. Upon the death or resignation of a director, a successor shall be elected by a majority of the directors remaining to serve out the remaining portion of the term thus vacated.

## **ARTICLE V.**

**Section 1.** Regular meetings of the Board of Directors shall be held at such time and place as the board may determine at the next previous regular meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, Article 6252-17, Tex. Rev. Civ. Stat., by furnishing the notice to the county clerk or clerks of the county or counties in which the Corporation provides service, and by posting such notice in a place readily convenient to the public in its administrative office at all times for at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place, and subject of each meeting held by the Directors.

**Section 2.** The Board of Directors shall provide access for the public, new service applicants, or Members to the regular monthly meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances. The Board of Directors shall establish reasonable rules for access to such meetings.

**Section 3.** The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Article 6252-17, Tex. Rev. Civ. Stat., including any subsequent amendment thereto. In the event of any conflict between the provisions of these By-Laws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

## **ARTICLE VI.**

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 such 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.

## **ARTICLE VII.**

The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve account separate and apart from other funds accounts of the Corporation. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation each month from the revenues of the Corporation. Such deposits will 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 from this fund upon prior Farmers Home Administration approval shall be made only for emergency repairs, obsolescence of equipment, making extensions, improvements to facility, and for making up any deficiencies in revenue for loan payments. One of the objectives of the reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.



The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness to the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with FDIC. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

## **ARTICLE VIII.**

**Section 1.** 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 reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of service by the system. Membership shall not be denied because of the applicant's race, color, creed or national origin. It is the intent of the Corporation to provide service on a non-discriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

**Section 2.** The membership fee shall be \$150.00 which shall entitle the member to one connection to the water main of the Corporation. 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 IX.**

For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, ownership of memberships shall be deemed to be in those persons who are the record owners of memberships as evidenced by the membership transfer book on the 15<sup>th</sup> day of the month next preceding the month of the date upon which the action requiring such determination is to be taken.

## **ARTICLE X.**

In order to insure 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 from the original members, their transferees, pledges, administrators or executors, or purchasers at judicial sale, or other persons, only after approval by the directors of the person proposing to buy said membership. Membership in the Corporation shall be deemed personal estate, and shall be transferable only upon surrender of membership certificate to the Corporation, endorsed by the record owner to the transferee. After all indebtedness due the Corporation has been paid by the transferor member, a new membership certificate may be issued.

## **ARTICLE XI.**

There shall be a regular meeting of the members annually, any weekday during the month of April as the board may determine, to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these By-Laws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted.

A quorum for the transaction of business at a meeting of the members or shareholders is a majority of the members and shareholders present. In determining whether a quorum is present, all members and shareholders 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.

## **ARTICLE XII.**

Special meetings of the directors may be held upon the posting of notice of such special meeting, in the manner provided under Article V of these By-Laws, at least two hours before the meeting is convened. It shall be the responsibility of the President or the President's designee to ensure that proper notice is posted. In no event shall any special meeting of the Directors be convened where the business of such meeting could be considered at a regular meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these By-Laws.

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 provided under Article V of these By-Laws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to such members at their address last known to the Corporation.

## **ARTICLE XIII.**

The business of the Corporation may be handled under the direction of the Board of Directors, by a manager to be elected by majority vote of the Board, and the manager shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as the manager may require to effectively operate the business of the Corporation.

## **ARTICLE XIV.**

All members will be billed, disconnected, or reconnected in accordance with the written policies of the Corporation. In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, member's water service shall be discontinued and the member's obligation to pay for water service shall terminate except as for the minimum charge for the current month or the charge for water used during the current month, whichever is greater, 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 not be forfeited.

## **ARTICLE XV.**

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a member for water service or otherwise shall be deducted from such member's share prior to final distribution. By application for and acceptance of membership in the Corporation, each member agrees that, upon such discontinuance of service by dissolution, or otherwise, the assets 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.

## **ARTICLE XVI.**

The fiscal year of the Corporation shall be from January 1<sup>st</sup> to December 31<sup>st</sup>.

## **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 Farmers Home Administration, 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 Farmers Home Administration for the State of Texas.

## **ARTICLE XVIII.**

- (a) If at the end of any fiscal year or in the event of emergency repairs the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each member of the Corporation as the Board may determine or as may be required by Farmers Home Administration, so that the sum of such assessments and the amount collected from water 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 Farmers Home Administration without a favorable vote of the majority of the members. Any assessments levied to make up operational deficits in any year shall be levied against members in proportion to their patronage with the Corporation.
- (b) In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the member's obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the member's membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a member of his obligation under special agreements covering multiple membership certificates held by one member which may have been required or approved by the Farmers Home Administration.

## **ARTICLE XIX.**

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principal 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 Farmers Home Administration. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Open Records Act, Article 6252-17a, Tex. Rev. Civ. Stat., including any amendments thereto, shall be available for public inspection and copying by the public or other duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

In the event of any conflict between the provisions of the Open Records Act and the provisions of these By-Laws, the provisions of the Open Records Act shall prevail.

## **ARTICLE XX.**

These By-Laws may be altered, amended, or repealed by a vote of a majority of the members present at any regular meeting of the Corporation, or at any special meeting of the Corporation 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 By-Laws as to effect a fundamental change in the policies 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 Farmers Home Administration, these By-Laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

## **ARTICLE XXI.**

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

The above By-Laws and regulations were unanimously adopted by the Board of Directors of the CROSS TIMBERS WATER SUPPLY CORPORATION, at a meeting in the CROSSROADS BIBLE CHURCH on the 18<sup>th</sup> day of April, A.D. 2013.

*Susan Crawford*  
Secretary-Treasurer

## OPERATION, MAINTENANCE, AND SUPPLY AGREEMENT

The purpose of this Operation and Supply Agreement ("Agreement") and the attached exhibit is to set forth the terms and conditions pursuant to which Stonebridge Water Supply Corporation and its members ("Stonebridge") will continue to receive water from Cross Timbers Water Supply Corporation ("Cross Timbers") until the Application for merger of the two water supply corporations has been culminated. The following are the provisions of the agreement:

1. Operation. Upon execution of this agreement by authorized representatives of each party, Cross Timbers will construct a connecting water supply line from its existing 8-inch water main from Saddlebrook heading north, through the sixty-foot road right-of-way, and connecting to Stonebridge's existing 2-inch water main at 13024 Stonebridge Road. Stonebridge's current operator will read the meters in December and send out billing pursuant to the rate schedule attached hereto as Exhibit "A". Thereafter, until the merger is complete, Cross Timbers shall read meters and bill the members of Stonebridge for water usage. Such bills will be payable to Stonebridge.

2. System Review. As soon as possible, Stonebridge's Operator shall meet with representatives of Cross Timbers and explain the line locations, meter locations, drains, and other matters related to the operation of the Stonebridge system. The Stonebridge operator shall be available by telephone if questions relating to the system should arise for a 30 day period after execution of this agreement.

3. Interim Water Fees. For any period prior to completion of the merger, upon connection of the Stonebridge water lines to water provided from Cross Timbers instead of the wells of Stonebridge, Stonebridge shall pay Cross Timbers \$3.50 per 1000 gallons metered.

4. Access. Following the execution of this agreement, Cross Timbers shall have access to all components of the Stonebridge system as may be reasonably necessary to prepare to perform or perform its obligations under this agreement.

5. Management Fees. Stonebridge shall pay Cross Timbers a management fee of \$100.00 per month as a management fee, due on January 4, 2022, and on the first day of each month until the merger is completed or this agreement terminates.

6. Maintenance and Repairs. Prior to the completion of the merger, any expenses or repairs related to the continued operation of the Stonebridge system and wells, including but not limited to, bacteriological testing, supplies, regulatory fees, or TCEQ fees shall be borne by Stonebridge. Repairs shall be completed by Cross Timbers or its contractors.

7. Time is of the Essence. Time is of the essence in the completion of this merger and the performance of all of the duties and obligations proposed herein by both parties. The financial provisions set forth are short term and contemplate completion of the merger

expeditiously. If the merger is not consummated and fully approved by governmental regulators by May 1, 2022, the fees, reimbursements and other financial considerations will be renegotiated.

8. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which may be deemed an original. It shall not be necessary that each Party executes each counterpart, or that any one counterpart be executed by more than one Party so long as each Party executes at least one counterpart.

9. Attorney's Fees. If any dispute arises between the parties regarding this agreement, the prevailing party shall be reimbursed for all of its related attorney's, costs, and expenses by the non-prevailing party.

10. Mediation. If any dispute arises between the parties relating to this agreement that cannot be resolved by the parties informally, it shall be submitted to mediation prior to any litigation being instituted. If a mediator cannot be agreed upon, one shall be appointed by the most senior District Court Judge in Denton County, Texas.

11. Binding Aspect of Agreement. THIS AGREEMENT IS A CONTRACT AND IS INTENDED TO BE LEGALLY BINDING WITH RESPECT TO THIS TRANSACTION BETWEEN THE PARTIES AND SHALL CONSTITUTE A BINDING CONTRACTUAL COMMITMENT. THE PARTIES ARE ONLY BOUND BY THE TERMS SPECIFICALLY LISTED IN THIS AGREEMENT. THE PARTIES ACKNOWLEDGE AND ACCEPT \$10.00 ALONG WITH OTHER CONSIDERATION AS LEGALLY SUFFICIENT TO BIND THE PARTIES TO PERFORM THE PROVISIONS OF THIS AGREEMENT..

**Stonebridge Water Supply Corporation**

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

Date: \_\_\_\_\_

**Cross Timbers Water Supply Corporation**

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A**  
**CURRENT RATE SCHEDULE OF SWSC**

# Stonebridge Water Supply Corp

## Rates

2/19/2021

Existing Rates

Monthly Minimum	25.00
0 to 3,000 gallons	2.68 per thousand
3,001 to 15,000 gallons	3.16 " "
15,001 to 30,000 gallons	3.86 " "
30,001 to 50,000 gallons	4.77 " "
all usage over 50,000 gallons	10.10 " "

Usage	Water	Tax	Total
1000	27.68	0.14	27.82
2000	30.36	0.15	30.51
3000	33.04	0.17	33.21
4000	36.20	0.18	36.38
5000	39.36	0.20	39.56
6000	42.52	0.21	42.73
7000	45.68	0.23	45.91
8000	48.84	0.24	49.08
9000	52.00	0.26	52.26
10000	55.16	0.28	55.44
11000	58.32	0.29	58.61
12000	61.48	0.31	61.79
13000	64.64	0.32	64.96
14000	67.80	0.34	68.14
15000	70.96	0.35	71.31
16000	74.82	0.37	75.19
17000	78.68	0.39	79.07
18000	82.54	0.41	82.95
19000	86.40	0.43	84.92
20000	90.26	0.45	90.71

Usage	Water	Tax	Total
22000	97.98	0.48	98.46
24000	105.70	0.52	106.22
26000	113.42	0.55	113.97
28000	121.14	0.59	121.73
30000	128.86	0.63	129.49
32000	138.40	0.68	139.08
34000	147.94	0.72	148.66
36000	157.48	0.77	158.25
38000	167.02	0.82	167.84
40000	176.56	0.86	177.42
42000	186.10	0.91	187.01
44000	195.64	0.96	196.60
46000	205.18	1.00	206.18
48000	214.72	1.05	215.77
50000	224.26	1.10	225.36
55000	274.76	1.35	276.11
60000	325.26	1.60	326.86
65000	375.76	1.85	377.61
70000	426.26	2.10	428.36
75000	476.76	2.35	479.11



## OPERATION, MAINTENANCE, AND SUPPLY AGREEMENT

The purpose of this Operation and Supply Agreement (“Agreement”) and the attached exhibit is to set forth the terms and conditions pursuant to which Stonebridge Water Supply Corporation and its members (“Stonebridge”) will continue to receive water from Cross Timbers Water Supply Corporation (“Cross Timbers”) until the Application for merger of the two water supply corporations has been culminated. The following are the provisions of the agreement:

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2. System Review. As soon as possible, Stonebridge’s Operator shall meet with representatives of Cross Timbers and explain the line locations, meter locations, drains, and other matters related to the operation of the Stonebridge system. The Stonebridge operator shall be available by telephone if questions relating to the system should arise for a 30 day period after execution of this agreement.

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4. Access. Following the execution of this agreement, Cross Timbers shall have access to all components of the Stonebridge system as may be reasonably necessary to prepare to perform or perform its obligations under this agreement.

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6. Maintenance and Repairs. Prior to the completion of the merger, any expenses or repairs related to the continued operation of the Stonebridge system and wells, including but not limited to, bacteriological testing, supplies, regulatory fees, or TCEQ fees shall be borne by Stonebridge. Repairs shall be completed by Cross Timbers or its contractors.

7. Time is of the Essence. Time is of the essence in the completion of this merger and the performance of all of the duties and obligations proposed herein by both parties. The financial provisions set forth are short term and contemplate completion of the merger

expeditiously. If the merger is not consummated and fully approved by governmental regulators by May1, 2022, the fees, reimbursements and other financial considerations will be renegotiated.

8. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which may be deemed an original. It shall not be necessary that each Party executes each counterpart, or that any one counterpart be executed by more than one Party so long as each Party executes at least one counterpart.

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Stonebridge Water Supply Corporation

BY: 

ITS: PRESIDENT

Date: 1/5/22

Cross Timbers Water Supply Corporation

BY: 

ITS: General Manager

Date: 1/4/22

**Exhibit A**  
**CURRENT RATE SCHEDULE OF SWSC**

# Stonebridge Water Supply Corp

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2/19/2021  
Existing Rates

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8000	48.84	0.24	49.08
9000	52.00	0.26	52.26
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11000	58.32	0.29	58.61
12000	61.48	0.31	61.79
13000	64.64	0.32	64.96
14000	67.80	0.34	68.14
15000	70.96	0.35	71.31
16000	74.82	0.37	75.19
17000	78.68	0.39	79.07
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Usage	Water	Tax	Total
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26000	113.42	0.55	113.97
28000	121.14	0.59	121.73
30000	128.86	0.63	129.49
32000	138.40	0.68	139.08
34000	147.94	0.72	148.66
36000	157.48	0.77	158.25
38000	167.02	0.82	167.84
40000	176.56	0.86	177.42
42000	186.10	0.91	187.01
44000	195.64	0.96	196.60
46000	205.18	1.00	206.18
48000	214.72	1.05	215.77
50000	224.26	1.10	225.36
55000	274.76	1.35	276.11
60000	325.26	1.60	326.86
65000	375.76	1.85	377.61
70000	426.26	2.10	428.36
75000	476.76	2.35	479.11

Jon Niermann, *Chairman*  
Emily Lindley, *Commissioner*  
Bobby Janecka, *Commissioner*  
Toby Baker, *Executive Director*



PART E ITEM 18

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

April 16, 2021

Mr. Lloyd Hanson, General Manager  
Cross Timbers WSC  
2032 E Hickory Hill Rd  
Argyle, Texas 76226-3125

Re: Public Water Supply Comprehensive Compliance Investigation at:  
Cross Timbers WSC, 2032 E Hickory Hill Rd, Argyle, Denton County, Texas  
RN101439230, PWS ID No. 0610020, Investigation No. 1706261

COPY

Dear Mr. Hanson:

On March 8, 2021, Mr. Colby Maron of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Maron in the D/FW Regional Office at (817) 588-5891 or by email at [Colby.maron@tceq.texas.gov](mailto:Colby.maron@tceq.texas.gov).

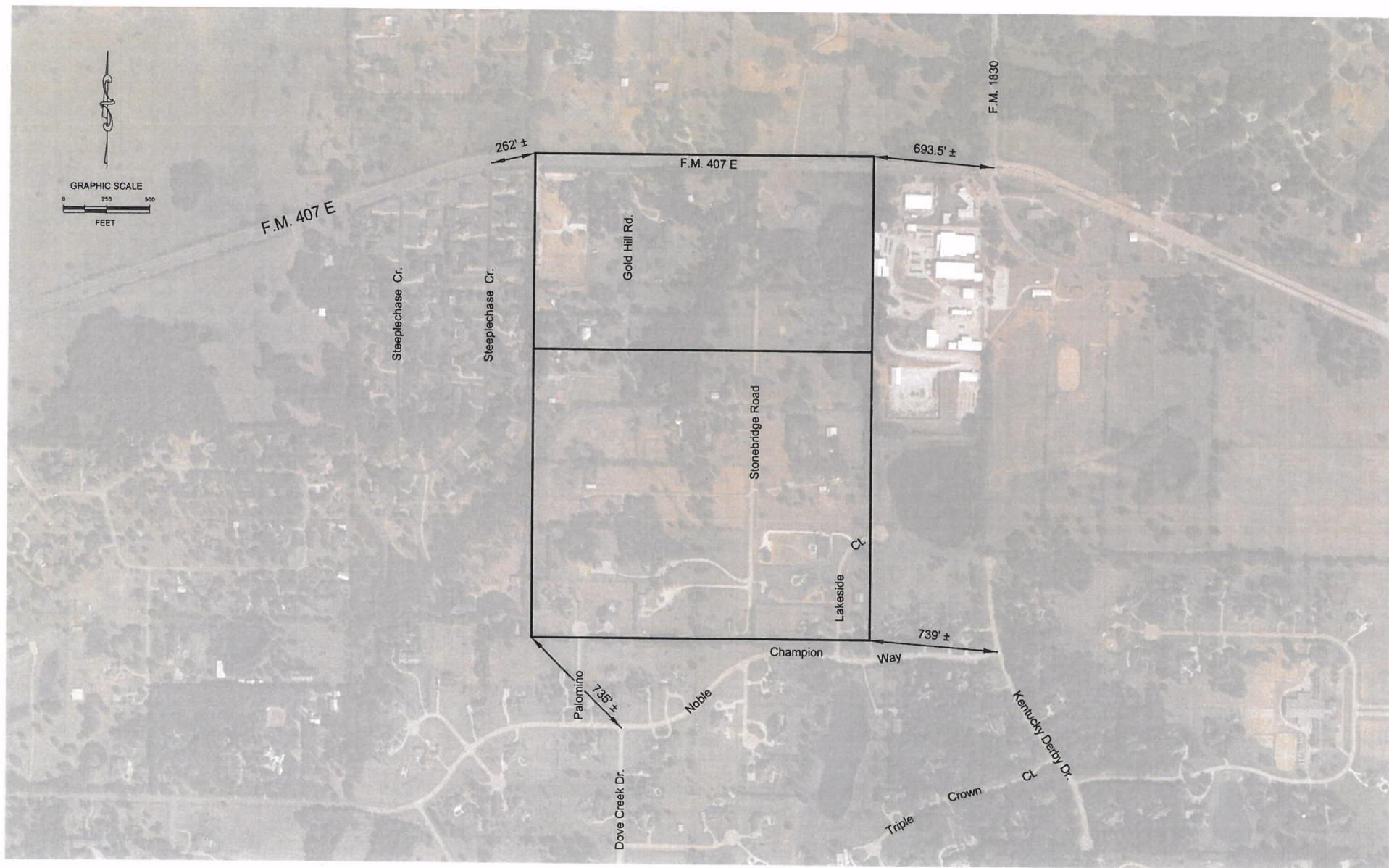
Sincerely,

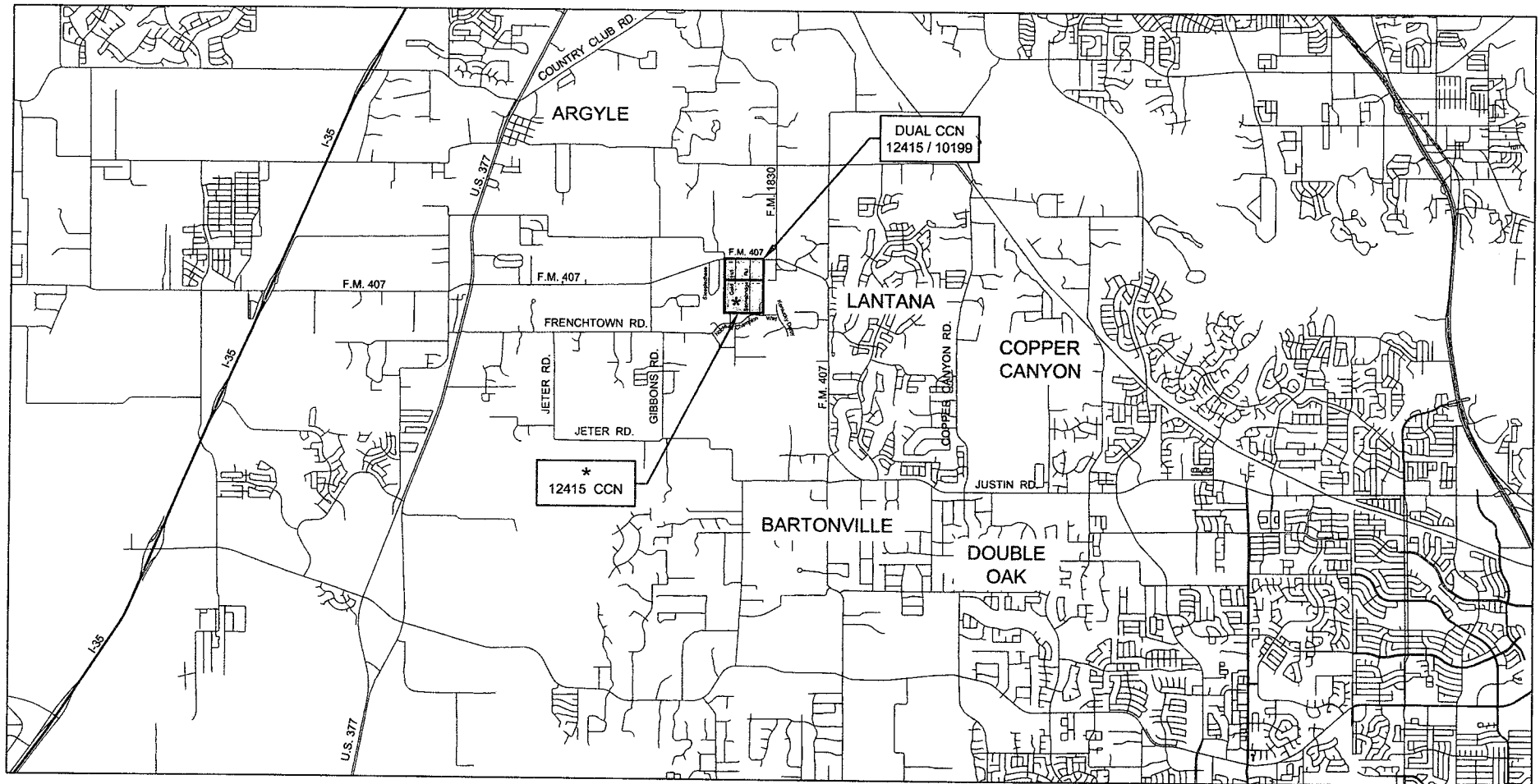
A handwritten signature in cursive script that reads "Crystal Watkins".

Crystal Watkins  
Work Leader, Public Water Supply Program  
D/FW Regional Office

CW/cm

PART G ITEM 29.A.1





GRAPHIC SCALE  
0 2500 5000  
FEET

LEGEND

12415 CCN	STONEBRIDGE WSC CCN
10199 CCN	ARGYLE WSC CCN



## CROSS TIMBERS WATER SUPPLY CORPORATION

For the Twelve Months Ending Friday, December 31, 2021

	2021
<b>Assets</b>	
<b>Current Assets:</b>	
Cash, net of restrictions	\$287,179
Accounts receivable, pledged	\$209,095
Prepaid expenses	\$47,521
Inventory, at cost	\$108,040
<b>Total Current Assets</b>	<b>\$651,836</b>
<b>Restricted cash:</b>	
Cash restricted by long-term debt agreement	\$0
Cash restricted for capital expansion	\$3,306,011
<b>Total Restricted Cash</b>	<b>\$3,306,011</b>
<b>Property and Equipment, Net of Land</b>	
Well sites	\$5,480,546
Water distribution system	\$16,678,208
Office building	\$1,344,429
Elevated storage tank	\$4,350,165
Ground storage tank	\$2,224,229
Machinery and equipment	\$617,064
<b>Total Property &amp; Equipment</b>	<b>\$30,694,640</b>
Less accumulated depreciation	(\$16,232,592)
<b>Net Property and Equipment</b>	<b>\$14,462,048</b>
Land	\$725,176
Other asset - Receivables for release of CCN	\$81,249
<b>Total Assets</b>	<b>\$19,226,320</b>
<b>Liabilities and Members' Equity</b>	
<b>Current Liabilities:</b>	
Accounts payable	(\$255,355)
Current portion of long-term debt	\$0
<b>Total Current Liabilities</b>	<b>(\$255,355)</b>
Long-term debt, net of current portion	\$0
<b>Total Liabilities</b>	<b>(\$255,355)</b>
<b>Members' equity:</b>	
Contributed capital -	
Member accounts	(\$309,100)
Real estate developers' donated lines	(\$6,279,527)
<b>Retained earnings:</b>	
Restricted	(\$3,306,011)
Unrestricted	(\$8,761,309)
Net (Income) loss	(\$315,018)
<b>Total Retained Earnings</b>	<b>(\$12,382,338)</b>
<b>Total Members' Equity</b>	<b>(\$18,970,965)</b>
<b>Total Liabilities and Members' Equity</b>	<b>(\$19,226,320)</b>



# CROSS TIMBERS WATER SUPPLY CORPORATION

For the Twelve Months Ending Friday, December 31, 2021

	December			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>Sales</b>						
WATER SALES 000 GAL	(27,391)	0	27,391	(471,651)	0	471,651
WATER SALES 000 GAL/DAY	(913)	0	913	(15,722)	0	15,722
MEMBERS	(2,600)	0	2,600	(2,600)	0	2,600
<b>Revenues:</b>						
Water sales	(\$219,753)	\$0	\$219,753	(\$3,337,463)	\$0	\$3,337,463
Penalties & NSF	(\$25)	\$0	\$25	(\$1,623)	\$0	\$1,623
New member additions	(\$156,189)	\$0	\$156,189	(\$981,446)	\$0	\$981,446
Meter installation charges	(\$5,355)	\$0	\$5,355	(\$76,325)	\$0	\$76,325
Other income	(\$106)	\$0	\$106	(\$10,346)	\$0	\$10,346
Prorata fees						
Transfer fees						
Interest Income	(\$1,039)	\$0	\$1,039	(\$10,600)	\$0	\$10,600
Mod. Of CCN, Net of Fee						
<b>Total Revenues</b>	<b>(\$382,466)</b>	<b>\$0</b>	<b>\$382,466</b>	<b>(\$4,417,802)</b>	<b>\$0</b>	<b>\$4,417,802</b>
<b>Operating expenses:</b>						
Upper Trinity Fixed Cost	\$99,124	\$0	(\$99,124)	\$1,146,887	\$0	(\$1,146,887)
Upper Trinity Usage Cost	\$20,516	\$0	(\$20,516)	\$280,514	\$0	(\$280,514)
NTGCD Fee	\$1,800	\$0	(\$1,800)	\$25,800	\$0	(\$25,800)
Water sample	\$461	\$0	(\$461)	\$6,087	\$0	(\$6,087)
<b>Total Purchased Water cost</b>	<b>\$121,901</b>	<b>\$0</b>	<b>(\$121,901)</b>	<b>\$1,459,288</b>	<b>\$0</b>	<b>(\$1,459,288)</b>
Salary, Wages & Benefits						
Payroll	\$42,285	\$0	(\$42,285)	\$553,157	\$0	(\$553,157)
Payroll Taxes	\$3,070	\$0	(\$3,070)	\$44,742	\$0	(\$44,742)
Employee Benefits	\$18,927	\$0	(\$18,927)	\$226,555	\$0	(\$226,555)
Contract Labor	\$0	\$0	\$0	\$2,520	\$0	(\$2,520)
<b>Total Salary, Wages &amp; Benefits</b>	<b>\$64,282</b>	<b>\$0</b>	<b>(\$64,282)</b>	<b>\$826,973</b>	<b>\$0</b>	<b>(\$826,973)</b>
Operating Expenses						
Repairs & Mtn - Operations	\$12,665	\$0	(\$12,665)	\$360,446	\$0	(\$360,446)
Fuel & Truck Expense	\$1,900	\$0	(\$1,900)	\$22,597	\$0	(\$22,597)
Postage	\$0	\$0	\$0	\$9,169	\$0	(\$9,169)
Utilities & Trash Collection	\$18,485	\$0	(\$18,485)	\$239,003	\$0	(\$239,003)
Telecom & Answering Service	\$1,089	\$0	(\$1,089)	\$19,717	\$0	(\$19,717)
Permits & Fees	\$588	\$0	(\$588)	\$7,472	\$0	(\$7,472)
Office Supplies, Equipmt & Cleaning	\$3,870	\$0	(\$3,870)	\$34,295	\$0	(\$34,295)
Computer Website & Security Exp	\$4,446	\$0	(\$4,446)	\$55,941	\$0	(\$55,941)
Bank & Credit Card Fees	\$4,588	\$0	(\$4,588)	\$54,352	\$0	(\$54,352)
Training & Travel	\$150	\$0	(\$150)	\$10,018	\$0	(\$10,018)
Accounting & Audit Fees	\$0	\$0	\$0	\$14,350	\$0	(\$14,350)
Legal	\$0	\$0	\$0	\$1,463	\$0	(\$1,463)
Professional/Consulting Fees	\$0	\$0	\$0	\$2,600	\$0	(\$2,600)
Insurance & Bonds	\$5,168	\$0	(\$5,168)	\$69,270	\$0	(\$69,270)
Write off of scrapped assets	\$53,158	\$0	(\$53,158)	\$53,158	\$0	(\$53,158)
<b>Total Operating Expenses</b>	<b>\$106,106</b>	<b>\$0</b>	<b>(\$106,106)</b>	<b>\$953,849</b>	<b>\$0</b>	<b>(\$953,849)</b>
Depreciation, Amortization & Interest						
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$73,001	\$0	(\$73,001)	\$862,674	\$0	(\$862,674)
<b>Total Depreciation, Amortization &amp; Inter</b>	<b>\$73,001</b>	<b>\$0</b>	<b>(\$73,001)</b>	<b>\$862,674</b>	<b>\$0</b>	<b>(\$862,674)</b>
<b>Total Expenses</b>	<b>\$365,290</b>	<b>\$0</b>	<b>(\$365,290)</b>	<b>\$4,102,785</b>	<b>\$0</b>	<b>(\$4,102,785)</b>
<b>Net Income (Loss)</b>	<b>\$17,176</b>	<b>\$0</b>	<b>(\$17,176)</b>	<b>\$315,018</b>	<b>\$0</b>	<b>(\$315,018)</b>

**Cross Timbers Water Supply Corporation**  
**Statement of Cash Flows**  
**For the Month Ended December 31, 2021**

<b>Cash flows from operating activities:</b>	<b>Current Period</b>	<b>Year-To-Date</b>
Net income (loss)	17,177	315,018
Adjustments to reconcile net income to net cash provided by operating activities		
Equity fees paid by new members	(156,189)	(981,446)
Depreciation and amortization	73,001	862,088
(Increase) decrease in:		
Accounts receivable - trade	29,974	(19,370)
Inventory	(50,373)	(56,422)
Prepaid expenses	9,050	12,646
Accrued interest receivable	-	-
Increase (decrease) in accounts payable	(72,550)	(36,087)
Interest income	(1,039)	(10,600)
Loss on Disposal of Assets	53,159	53,159
Net cash provided by operating activities	<b>(97,790)</b>	<b>138,986</b>
<b>Cash flows from investing activities:</b>		
Upgrades to wells, tanks and water distribution	(18,886)	(1,425,853)
Water lines contributed by members	-	720,385
Land and easements	-	-
Interest income	1,039	10,600
Net cash used in investing activities	<b>(17,847)</b>	<b>(694,868)</b>
<b>Cash flows from financing activities:</b>		
Collections on releases of CCN		
Principal payments on long-term debt	-	-
Contributions from new members, net	1,600	14,650
Equity fees paid by new members	156,189	981,446
Net cash provided by financing activities	<b>157,789</b>	<b>996,096</b>
<b>Net increase (decrease) in cash</b>	<b>42,152</b>	<b>440,214</b>
<b>Beginning Cash and cash equivalents:</b>		
Unrestricted cash and cash equivalents	1,050,222	647,526
Restricted cash and cash equivalents	2,500,818	2,500,818
<b>Total Cash &amp; Cash Equivalents @ Beg of period</b>	<b>3,551,040</b>	<b>3,148,344</b>
<b>Cash and cash equivalents year-to-date:</b>		
Unrestricted cash and cash equivalents	287,179	287,179
Restricted cash equivalents	3,306,011	3,306,011
<b>Total Cash &amp; Cash Equivalents @ End of period</b>	<b>3,593,190</b>	<b>3,593,190</b>
<b>Change in Cash &amp; Cash Equivalents</b>	<b>42,150</b>	<b>444,846</b>

**CROSS TIMBERS WATER  
SUPPLY CORPORATION**

FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977

TEL (940) 387-8563  
FAX (940) 383-4746

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Cross Timbers Water Supply Corporation  
Argyle, Texas

We have audited the accompanying financial statements of Cross Timbers Water Supply Corporation (a nonprofit corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross Timbers Water Supply Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Hankins, Eastup, Deaton, Tonn & Seay, PC*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

March 5, 2021

# CROSS TIMBERS WATER SUPPLY CORPORATION

## BALANCE SHEET December 31, 2020

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents, net of restrictions	\$ 647,526
Accounts receivable – trade, pledged	188,010
Other accounts receivable	1,715
Prepaid expenses	60,168
Inventory, at cost	<u>51,618</u>
Total current assets	\$ 949,037
Cash and cash equivalents – restricted	2,500,818
Property and equipment, pledged:	
Well sites, water distribution system and ground storage	22,584,689
Elevated storage tanks	4,350,165
Machinery and equipment	565,308
Office building	1,344,429
Construction in progress	<u>656,734</u>
	29,501,325
Less accumulated depreciation	(15,554,583)
Land and easements	<u>725,176</u>
Net property and equipment	14,671,918
Other assets:	
Equity fee, net of \$65,800 amortization	<u>85,949</u>
Total other assets	<u>85,949</u>
TOTAL ASSETS	<u>\$ 18,207,722</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>	
Current liabilities:	
Accounts payable	\$ 286,810
Total current liabilities	<u>\$ 286,810</u>
Total liabilities	<u>286,810</u>
Members' equity:	
Contributed capital –	
Member accounts	294,450
Real estate developers' donated lines	<u>5,559,142</u>
Total contributed capital	5,853,592
Retained earnings:	
Restricted	2,500,818
Unrestricted	<u>9,566,502</u>
Total retained earnings	<u>12,067,320</u>
Total members' equity	<u>17,920,912</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 18,207,722</u>

See accompanying notes to financial statements.

**CROSS TIMBERS WATER SUPPLY CORPORATION****STATEMENT OF INCOME AND RETAINED EARNINGS  
YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Water sales	\$ 3,000,524	\$ 3,322,269	\$ 321,745
Current period new member additions	575,000	815,981	240,981
Other income	6,000	16,472	10,472
Penalties and NSF charges	8,713	1,863	(6,850)
Meter installation charges	21,000	40,440	19,440
Total revenues	<u>3,611,237</u>	<u>4,197,025</u>	<u>585,788</u>
Operating expenses:			
Upper Trinity charges	1,396,004	1,388,602	7,402
Depreciation and amortization	775,000	734,526	40,474
Salaries, wages and contract labor	560,894	549,626	11,268
Utilities	235,000	211,890	23,110
Repair, maintenance, operations	165,000	276,586	(111,586)
Interest expense	8,000	-	8,000
Insurance and bonds	81,500	83,112	(1,612)
Employee benefits	206,250	174,670	31,580
Legal fees	3,000	1,000	2,000
Payroll taxes	45,000	44,037	963
Office supplies and expense	30,000	24,025	5,975
Computer expense and security	26,000	43,926	(17,926)
Bank and credit card fees	55,000	49,498	5,502
Telephone	14,500	16,223	(1,723)
Audit and accounting	13,500	13,600	(100)
Consulting fees	8,000	3,250	4,750
Postage	6,000	9,207	(3,207)
Retirement plan contribution	4,000	7,291	(3,291)
Auto and truck expense	18,500	14,247	4,253
Water sample and other purchases	40,500	31,299	9,201
Training and travel	8,000	3,388	4,612
Total operating expenses	<u>3,699,648</u>	<u>3,680,003</u>	<u>19,645</u>
Net operating income (loss)	<u>(88,411)</u>	<u>517,022</u>	<u>605,433</u>
Other income (loss):			
Interest income	<u>68,000</u>	<u>26,868</u>	<u>(41,132)</u>
Total other income (loss)	<u>68,000</u>	<u>26,868</u>	<u>(41,132)</u>
Net Income (loss)	<u>(20,411)</u>	<u>543,890</u>	<u>564,301</u>
Retained earnings – beginning of year		<u>11,523,430</u>	
Retained earnings – end of year		<u>\$ 12,067,320</u>	

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020

See accompanying notes to financial statements.



# **CROSS TIMBERS WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020**

---

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Organization**

Cross Timbers Water Supply Corporation is operated in a manner similar to a private enterprise where the intent is to provide water and related services to the general public with all costs financed primarily through user charges.

#### **Revenue and Expense Recognition**

The books and records of the corporation are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period they are earned, and expenses are recognized when incurred.

#### **Property, Equipment and Depreciation**

Depreciation expense included in the accompanying financial statements is recorded on the straight-line method over the estimated useful lives of the assets. Property and equipment are recorded at cost or, if contributed, estimated cost of materials and installation. Useful lives range from 3 years for light equipment to 40 years for system improvements.

#### **Inventory**

Inventory, consisting of supplies and new meters, is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

#### **Equity Fees**

In June 2014, the Board of Directors approved an increase in the equity buy-in fee to \$7,262 per connection. The previous equity buy-in fee was \$7,151, and was effective June 2013. The \$7,262 fee from new member applications is usually received in two separate installments; the first paid by the developer and the second paid by the home builder. These fees are recorded by Cross Timbers Water Supply Corporation only when actually received and are included in the Statement of Income as "new member additions."

#### **Accounting Estimates**

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

#### **Allowance For Uncollectible Receivables**

Management believes that no allowance for uncollectible receivables is necessary.

# **CROSS TIMBERS WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

For purposes of financial statement presentation, the Corporation considers all money market funds, certificates of deposit with maturity dates of three months or less when acquired and highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents at December 31, 2020 include funds invested with TexPool, a Public Funds Investment Pool, of \$1,967,877, which are not federally insured.

#### **Date of Management's Review**

Subsequent events were evaluated through March 5, 2021, which is the date the financial statements were available to be issued.

### **NOTE 2 – LINE OF CREDIT**

The Corporation has entered into a revolving line of credit financing agreement with Independent Bank. The agreement allows for borrowings of up to \$1,500,000. Amounts advanced under the agreement are secured by the Corporation's property and equipment. Interest on outstanding borrowings is payable monthly at the prime rate plus 1.0% (4.25% as of December 31, 2020) with a minimum interest rate of 4.25%. The agreement expires September 28, 2021. The Corporation did not make any borrowings under the agreement during 2020.

### **NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Included in the financial statements at December 31, 2020 is \$2,500,818 of cash and cash equivalents that is restricted for future water system improvements and upgrades under policies established by the Corporation's Board of Directors and rules established by the Texas Commission on Environmental Quality.

### **NOTE 4 – FEDERAL INCOME TAX**

Cross Timbers Water Supply Corporation is a non-profit organization that qualifies under Code Sec 501(c)(12) for exemption from Federal income tax.

The Corporation files Form 990 with the Internal Revenue Service, and as of December 31, 2020, the Corporation's tax returns related to the years ended December 31, 2017 through 2019 remain open to possible examination by the Internal Revenue Service; however, no tax returns are currently under examination.

Exempt organizations are required to pay Federal income tax on unrelated business income. For the year ended December 31, 2020, the Corporation had no unrelated business income.

# **CROSS TIMBERS WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020**

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### **NOTE 5 – OPERATING LEASE**

The Corporation currently leases office equipment under a noncancellable operating lease that expires in May 2023. Rent expense under operating leases was \$7,966 in 2020. The following is a schedule of required future minimum lease payments:

<u>December 31</u>	
2021	\$ 7,140
2022	7,140
2023	2,975
2024	-
Thereafter	-
Total	<u>\$ 24,395</u>

### **NOTE 6 – RETIREMENT PLAN**

The Corporation sponsors a SIMPLE IRA retirement plan for eligible employees. The Plan allows eligible employees to make elective contributions of up to Internal Revenue Service limits, and the Corporation matches employee contributions up to a maximum of three percent of eligible compensation. The Corporation's matching contribution for 2020 was \$7,291. All participating employees are fully vested in the Corporation's matching contributions.

### **NOTE 7 – CONCENTRATIONS**

The Corporation operates a water system in the Cross Timbers area in southern Denton County, Texas. The Corporation is reliant on customers within this area for its operations.

The Corporation maintains demand checking and money market accounts at Independent Bank. Bank accounts at the bank are insured by the FDIC up to \$250,000. The Corporation maintains balances in excess of FDIC limits at times. As of December 31, 2020, the bank balance was \$1,234,592. Independent Bank has pledged government securities owned by the bank to the Corporation to provide additional security for the Corporation's uninsured deposits. As of December 31, 2020, the par value of the pledged securities was \$1,930,000, and the market value was \$2,063,960. The pledged securities are held by the Federal Home Loan Bank-Dallas. The Corporation invests excess funds with Texpool, a public funds investment pool. Deposits with Texpool are not federally insured. The balance invested with Texpool at December 31, 2020 was \$1,967,877.

## **CROSS TIMBERS WATER SUPPLY CORPORATION**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020**

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#### **NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, investments, short-term accounts receivable, and accounts payable: the carrying amounts reported in the balance sheet approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Corporation's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$3,148,344	\$3,148,344
Short-term accounts receivable	188,010	188,010
Accounts payable	(286,810)	(205,886)

#### **NOTE 9 – CONSTRUCTION IN PROGRESS**

The Corporation had five projects in progress as of December 31, 2020. The following is a list of the projects and the total costs incurred to date as of December 31, 2020:

Stargate ground storage	\$ 104,232
Simmons Road well	67,500
Waketon Road line upgrade	311,602
Stonewood Blvd line upgrade	86,700
Jeter Road line upgrade	<u>86,700</u>
Total construction in progress	<u>\$ 656,734</u>

#### **NOTE 10 – CONTINGENCIES AND LITIGATION**

In March 2020, the Corporation settled litigation between the Corporation and multiple other parties related to construction of an elevated water tank. Under the terms of the settlement, the parties agreed to dismiss the litigation. A building permit for completion was obtained, construction was completed, and the elevated water tank was placed in service in December 2020.

# CROSS TIMBERS WATER SUPPLY CORPORATION

March 10, 2022

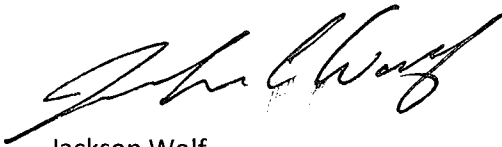
Public Utilities Commission of Texas  
Attention: Filing Clerk  
1701 N. Congress Avenue  
PO Box 13326  
Austin, TX 78711-3326

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

We inadvertently E-filed the RE application in the incorrect docket. We request Central Records to void the incorrect items (Tracking Number DREHXKML, Sale, Transfer, Merger Application; STM Part B, Item 4; STM Part C, Item 7; STM Part D, Item 13; STM Part E, Item 18; STM Part G, Item 29.A.a; STM Application A) and Docket Number 43195 Item 16.

We have re-filed the applicable application and documents in a new Docket Number

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Jackson Wolf', written in a cursive style.

Jackson Wolf  
General Manager