

ELLINGER SEWER and WATER SUPPLY CORPORATION  
FINANCIAL STATEMENTS  
FOR YEAR ENDED  
DECEMBER 31, 2019

ELLINGER SEWER and WATER SUPPLY CORPORATION

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MEDACK & OLTMANN, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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PROFESSIONAL STAFF

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MEMBERS

American Institute of  
Certified Public Accountants  
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Certified Public Accountants

ACCOUNTANT'S COMPILATION REPORT

Board of Directors  
Ellinger Sewer and Water Supply Corporation  
Ellinger, TX 78938

Management is responsible for the accompanying financial statements of Ellinger Sewer and Water Supply Corporation, which comprise the balance sheet as of December 31, 2019, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the December 31, 2019, financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Ellinger Sewer and Water Supply Corporation.

*Medack & Oltmann, LLP*

Medack & Oltmann, LLP  
Giddings, TX  
January 4, 2021

Ellinger Sewer and Water Supply Corporation  
Balance Sheet  
December 31, 2019

ASSETS		<u>2019</u>
<u>Current Assets</u>		
Cash	\$	251,630
Accounts Receivable		36,146
Total Current Assets	\$	<u>287,776</u>
Cash-Restricted		307,520
<u>Fixed Assets</u>		
Water Facilities and Other Equipment	\$	314,048
Less: Accumulated Depreciation		(208,657)
Construction in Progress		47,775
Land		42,390
Total Fixed Assets	\$	<u>195,556</u>
 TOTAL ASSETS	 \$	 <u><u>790,852</u></u>

LIABILITIES AND MEMBERSHIP EQUITY

<u>Current Liabilities</u>		
Accounts Payable and Accrued Expenses	\$	11,043
Notes Payable		26,615
Total Current Liabilities	\$	<u>37,658</u>
<u>Long Term Liabilities</u>		
Notes Payable		
Total Long Term Liabilities	\$	<u>235,044</u>
Total Liabilities	\$	272,702
<u>Membership Equity</u>		
Retained Earnings		518,150
Total Membership Equity	\$	<u>518,150</u>
 TOTAL LIABILITIES AND MEMBERSHIP EQUITY	 \$	 <u><u>790,852</u></u>

The notes are an integral part of these financial statements.

Ellinger Sewer and Water Supply Corporation  
Statement of Income  
Year Ended December 31, 2019

	2019
<u>Operating Income</u>	
Water Sales	\$ 226,982
Interest Income	771
	227,753
<u>Operating Expenses</u>	
Professional Services	\$ 19,898
Membership Dues	776
Insurance	3,734
Office Supplies/Postage	5,322
Payroll Taxes	1,554
Contract Labor	1,900
Salaries	17,700
Repairs/Maintenance	55,923
Supplies	15,388
Interest Expense	2,621
Operational Services	36,000
Utilities	11,540
Water Testing & Lab	6,164
Fees & Permits	1,565
Miscellaneous	2,697
Depreciation	7,769
Posting and Press	1,939
	192,490
Total Operating Expenses	\$ 192,490
Income from Operations	\$ 35,263
<u>Other Income (Expenses)</u>	
Grant-TWDB	\$ 300,000
Abandon Well Expense	(228,580)
Total Other Income (Expense)	\$ 71,420
Net Income (Loss)	\$ 106,683

The notes are an integral part of the financial statements.

Ellinger Sewer and Water Supply Corporation  
Statement of Retained Earnings  
Year Ended December 31, 2019

	<u>2019</u>
<u>Retained Earnings</u>	
Balance at Beginning of Year-as restated	\$ 411,467
Net Income for Year	<u>106,683</u>
Balance at End of Year	<u><u>\$ 518,150</u></u>

The notes are an integral part of the financial statements.

Ellinger Sewer and Water Supply Corporation  
Statement of Cash Flows  
Year Ended December 31, 2019

	2019
Cash flows from operating activities:	
Cash received from customers	\$ 223,778
Cash payments to suppliers and employees	(180,201)
Interest received	771
Interest paid	(2,621)
	\$ 41,727
Cash flows from investing activities:	
Net cash provided/(used) from investing activities	-
Cash flows from financing activities:	
Loss on abandoned well	\$ (200,228)
Capital expenditures	(47,775)
Proceeds from new debt	248,005
Proceeds grant TWDB	300,000
Principal payments on debt	\$ (14,317)
	\$ 285,685
Net cash provided/(used) by financing activities	\$ 285,685
Net increase in cash and cash equivalents	\$ 327,412
Cash and cash equivalents at beginning of year	\$ 231,738
Cash and cash equivalents at end of year	\$ 559,150
<b>Reconciliation of operating income provided/(used) by operating activities:</b>	
Net income	\$ 35,263
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	\$ 7,769
(Increase)/decrease in accounts receivable	(3,205)
Increase/(decrease) in accounts payable and accrued expenses	1,900
	6,464
Total adjustments	6,464
Net cash provided/(used) by operating activities	\$ 41,727
Cash: Unrestricted	\$ 251,630
Restricted	307,520
	\$ 559,150

The notes are an integral part of the financial statements.

ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 1: ORGANIZATION

Ellinger Sewer and Water Supply Corporation was created as provided in Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1396-01 et seq. as amended.

Ellinger Sewer and Water Supply Corporation has a separately elected Board, which is elected by the registered voters within the Corporation's boundaries. The Corporation is independent in that it selects its own management staff, sets user charges, establishes budgets and controls all aspects of daily activities. The Corporation receives no direct funding from any other entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Plant Assets and Depreciation

Property and equipment are stated at cost. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The Corporation capitalizes net interest costs and interest earned as part of the cost of construction of its facilities. The useful lives of property, plant and equipment for purposes of computing depreciation are:

Water system	40 years
Buildings	25 years
Waste Water Berms	10 years
Equipment	7 years

Land

Land values are shown at cost based on an analysis of all available records back to the inception of the company.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Corporation considers all highly liquid assets with an original maturity of three months or less to be cash equivalents.



ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Method of Determining Uncollectibility and Writing Off Receivables

The Company sells water to members who generally pay within thirty days. Accounts for which no payment has been received for one month are considered delinquent and customary collection efforts are initiated. Accounts for which no payments have been received for two months have their water service terminated. Amounts owed are first offset with the membership fees; any remaining balance is written off-the membership fee and is generally sufficient to cover amounts owed. Collections on accounts previously written off are included in income as received. Due to the Corporation's collection policy and the resulting high collection rate, no allowance for doubtful accounts has been established. The fact that the majority of members are individuals, no one person or group of affiliated individuals comprises any concentrations or credit risk.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Employee Benefits

The Corporation has no obligations to its employees to provide any benefits outside of the monthly salary.

Risk Management

The Corporation is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation purchases its insurance from regular commercial companies. As of December 31, 2019, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 3: CASH

Deposits

The Corporation had deposits in two separate banks, Round Top State Bank and Fayetteville Bank at December 31, 2019. The carrying amount of the Corporation's deposits were \$259,150 and \$300,000 respectively. The bank balances were \$260,751 and \$300,000, respectively. At year-end the account balances are not fully insured by FDIC in the amounts of \$10,751 and \$50,000 respectively.

NOTE 4: RESTRICTED CASH

Provisions of the U.S.D.A Rural Development Utility Service loan agreement require that Ellinger Water Supply Corporation maintain a reserve fund for purposes of meeting its debt requirements. The terms require the Corporation to deposit, into a separate cash account, \$234 per month until the balance is equal to one year of loan payments. As of December 31, 2019, the Corporation had a total reserve balance of \$7,520.

The Corporation received a grant from the Texas Water Development Board for future well projects in the amount of \$300,000.

NOTE 5: FIXED ASSETS

	Balance			Balance
	12/31/2018	Additions	Retirements	12/31/2019
Land	\$ 42,390	-	-	\$ 42,390
Building & Improvements	11,720	-	-	11,720
Water & Sewer System	271,299	-	-	271,299
Equipment	31,029	-	-	31,029
Construction in Progress	28,350	47,775	(28,350)	47,775
Total Assets	\$ 384,788	47,775	(28,350)	\$ 404,213
Accumulated Depreciation				
Building & Improvements	\$ (11,720)	-	-	\$ (11,720)
Water & Sewer System	(158,139)	(7,769)	-	(165,908)
Equipemt	(31,029)	-	-	(31,029)
Total Depreciation	\$ (200,888)	(7,769)	-	(208,657)
Total Net Fixed Assets	\$ 183,900	40,006	(28,350)	\$ 195,556

Depreciation expense charged to operations was \$7,769.

ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 6: NOTE PAYABLE

The Corporation has a loan from the United States Department of Agriculture Rural Development. The loan has a rate of 5.00%, with monthly payments of \$242 maturing in 2032. The debt is secured by a lien on all real estate, chattels and an assignment of income and contracts.

The Corporation received a loan from the United States Department of Agriculture Rural Development dated June 4, 2019, in the amount of \$863,000 for the purpose of drilling a new water well. The loan is a draw note and as of December 31, 2019 \$248,005 was drawn. Terms of the loan are an interest rate of 1.375%, maturity of June 4, 2059, monthly payments of \$2,339 beginning July 4, 2019.

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Due Within One Year
USDA Rural Development #3	\$ 27,971	\$ -	\$ 1,541	\$ 26,431	\$ 1,619
USDA Rural Development #5	\$ -	\$ 248,005	\$ 12,776	\$ 235,229	\$ 24,996
Total	<u>\$ 27,971</u>	<u>\$ 248,005</u>	<u>\$ 14,317</u>	<u>\$ 261,660</u>	<u>\$ 26,615</u>

Principal & interest due for the year ending December 31,

	Principal	Interest	Total
2020	26,615	4,357	30,972
2021	27,043	3,929	30,972
2022	27,479	3,493	30,972
2023	27,926	3,046	30,972
2024	28,381	2,591	30,972
2025-2029	118,668	5,978	124,646
2030-2033	5,548	339	5,887
	<u>\$ 261,660</u>	<u>\$ 23,733</u>	<u>\$ 285,393</u>

ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 7: RATES

The following rates were approved by the Corporation's Board of Directors and effective August 2018:

Water Rates		Sewer Rates	
Meter Size	Base Rate	Meter Size	Base Rate
5/8" x 3/4"	\$ 34.50	5/8" x 3/4"	\$ 25.30
1"	\$ 84.38	1"	\$ 68.58
1.5"	\$ 168.75	1.5"	\$ 139.15
*Plus \$1 per hundred gallons		*Plus \$3.80 per thousand gallons for commercial accounts	

Membership Rates & Fees			
Rates		Fees	
Water	\$ 200.00	Connection	\$ 50.00
Sewer	\$ 100.00	Reconnection	\$ 100.00
Connection Fee	\$ 50.00	Return Check	\$ 28.00
Reserve fund monthly fee per customer account - \$5.00			

NOTE 8: GALLONS PUMPED AND PURCHASED

For the year ending December 31, 2019, the follows gallons were reported:

Total Pumped	11,185,000
Gallons Purchased	<u>7,814,000</u>
Gallons Lost	3,371,000

NOTE 9: GRANTS

The Corporation was also awarded a "loan forgiveness" grant from the Texas Water Development Board for \$300,000 on September 5, 2019. These funds will be used to construct a new water standpipe. This project is expected to begin sometime in 2020. No funds were expended in the 2019 year.

ELLINGER SEWER AND WATER SUPPLY CORPORATION  
Year Ended December 31, 2019

Notes to Financial Statements

NOTE 10: PRIOR PERIOD ADJUSTMENT

For the year ending December 31, 2019, an error was discovered. The error consisted of an understatement of unbilled water receivable and retained earnings each of \$15,771.

Balance of Retained Earnings-beginning of year	\$ 395,696
Correction of error-unbilled water receivable	<u>\$ 15,771</u>
Balance of Retained Earnings-beginning of year (restated)	\$ 411,467

NOTE 11: ABANDONMENT OF PROPERTY

During the current year, the Corporation abandoned its drilling efforts for a new water well due to the water being not suitable for consumption. The Corporation realized a loss of \$ 228,580, due to costs associated with the project.

NOTE 12: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.