

**ELLINGER SEWER AND WATER
SUPPLY CORPORATION**

AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2021

TRLICEK & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
LA GRANGE, TEXAS

**ELLINGER SEWER AND WATER SUPPLY CORPORATION
AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Balance Sheet	3
Statement of Income and Expenses	4
Statement of Changes in Retained Earnings	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 12
Other Reports of Independent Auditors:	
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ellinger Sewer and Water Supply Corporation
P.O. Box 130
Ellinger, Texas 78938

Opinion

We have audited the accompanying financial statements of Ellinger Sewer and Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ellinger Sewer and Water Supply Corporation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ellinger Sewer and Water Supply Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ellinger Sewer and Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ellinger Sewer and Water Supply Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ellinger Sewer and Water Supply Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Truick & Co., P.C.

La Grange, Texas
November 2, 2023

Ellinger Sewer and Water Supply Corporation
Balance Sheet
December 31, 2021

Assets		
<u>Current Assets</u>		
Cash - Operating Account	\$	314,585
Accounts Receivable		34,914
Total Current Assets		349,499
 <u>Restricted Assets</u>		
Cash		311,548
 <u>Fixed Assets</u>		
Property and Equipment, at cost		858,076
Less: Accumulated depreciation		(224,295)
Total Fixed Assets		633,781
Total Assets	\$	1,294,828
 Liabilities and Membership Equity		
<u>Current Liabilities</u>		
Accounts Payable	\$	59,406
Notes Payable - Current Portion		21,943
Accrued Interest Payable		680
Total Current Liabilities		82,029
 <u>Long - Term Debt, Net of Current Portion</u>		 585,996
Total Liabilities		668,025
 <u>Membership Equity</u>		
Retained Earnings		626,803
Total Membership Equity		626,803
Total Liabilities and Membership Equity	\$	1,294,828

The accompanying notes to the financial statements are an integral part of this statement.

Ellinger Sewer and Water Supply Corporation
Statement of Income and Expenses
December 31, 2021

<u>Operating Income</u>	
Water Sales	\$ 211,775
Total Operating Income	<u>211,775</u>
<u>Operating Expenses</u>	
Salaries and Benefits	7,912
Operational Services	36,000
Repairs and Maintenance	28,501
Utilities	11,178
Materials and Supplies	14,569
Depreciation	7,819
Total Operating Expenses	<u>105,979</u>
Gross Margin	105,796
<u>General and Administrative Expenses</u>	
Postage and Office Supplies	2,894
Insurance	100
Interest	8,179
Legal and Professional	17,685
Other General and Administrative Expense	17,363
Total General and Administrative Expenses	<u>46,221</u>
Net Income From Operations	<u>59,575</u>
<u>Other Income (Expense)</u>	
Interest Income	560
Total Other Income	<u>560</u>
Net Income	<u><u>\$ 60,135</u></u>

The accompanying notes are an integral part of these financial statements.

Ellinger Sewer and Water Supply Corporation
Statement of Changes of Retained Earnings and Memberships
For the Year Ended December 31, 2021

Retained Earnings

Retained Earnings - Beginning	\$ 566,668
Net Income	<u>60,135</u>
Retained Earnings - Ending	<u><u>\$ 626,803</u></u>

The accompanying notes are an integral part of these financial statements.

Ellinger Sewer and Water Supply Corporation
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities-	
Cash received from customers	\$ 212,172
Cash paid to suppliers and employees	(274,753)
Interest received	560
Interest paid	(8,179)
	<hr/>
Net Cash Provided by Operating Activities	(70,200)
	<hr/>
Cash Flows from Investing Activities-	
Acquisitions of fixed assets	(271,243)
	<hr/>
Net Cash Used in Investing Activities	(271,243)
	<hr/>
Cash Flows from Capital & Financing Activities-	
Proceeds from issuance of new debt	216,219
Principal payments on debt	(23,060)
	<hr/>
Net Cash Provided by Financing Activities	193,159
	<hr/>
Net Increase (Decrease) in Cash	(148,284)
Cash and Cash Equivalents at Beginning of Year	774,417
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Cash and Cash Equivalents at End of Year	\$ 626,133
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Summary of cash and cash equivalents, end of year	
Cash - Unrestricted	\$ 314,585
Cash - Rerestricted	311,548
	<hr/>
	\$ 626,133
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Ellinger Sewer and Water Supply Corporation
Statement of Cash Flows
For the Year Ended December 31, 2021

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$ 60,135
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	7,819
(Increase) Decrease in:	
Accounts Receivable	198
Increase (Decrease) in:	
Accounts Payable	(138,618)
Accrued Interest Payable	266
Total adjustments	<u>(130,335)</u>
Net cash provided by operating activities	<u>\$ (70,200)</u>

The accompanying notes are an integral part of these financial statements.

ELLINGER SEWER AND WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - BACKGROUND

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. The Corporation was formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Ellinger, Texas, and the surrounding rural areas in Fayette County. The governing body consists of a Board of Directors totaling seven members. These directors are elected by the registered voters within the Corporation's boundaries and they serve without any type of compensation. The Corporation selects its own management staff, sets its user charges, establishes its own budgets, and control all aspects of daily operations. It receives no direct funding from any outside entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method 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.

B. Property and Depreciation

Property and equipment are recorded at cost. For financial statement reporting, depreciation is provided on the straight-line method over the estimated useful lives of the assets. 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 the purpose of depreciation are:

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

C. Land

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

D. Cash and Cash Equivalents

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

ELLINGER SEWER AND WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Method of Determining Uncollectibility and Writing off Receivables

The Corporation 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 and any remaining amounts are written off. The membership fee 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.

F. Budget

Prior to the beginning of each fiscal year, the manager of the Corporation submits a budget to the Board of Directors for approval. This budget sets forth the proposed expenditures and the means of financing those expenditures.

G. Employee Benefits

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

H. 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 and 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.

I. 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, 2021, 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.

NOTE 3 - DEPOSITS

As of December 31, 2021, the carrying amount of the Corporation's balance of cash, including restricted cash, was \$626,133; the bank balance was \$626,442. These deposits were held in two separate banks. As of December 31, 2021, deposits exceeded FDIC coverage by \$76,442 in one bank account and by \$50,000 in the other bank account.

ELLINGER SEWER AND WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RESTRICTED CASH

The Corporation's restricted cash at December 31, 2021 is shown below:

Reserve Fund	\$ 11,548
Grant Proceeds	300,000
	<u>\$ 311,548</u>

Provisions of the USDA Rural Development Utility Service loan agreement require that Ellinger Sewer and 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 payments. The Corporation had a total reserve balance \$11,548 as of December 31, 2021.

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

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021, are as follow:

Billed	\$ 17,526
Unbilled	17,388
Total Accounts Receivable	<u>\$ 34,914</u>

NOTE 6 – DEBT

The Corporation has a loan of \$50,000 dated February 4, 1994 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, 2020, 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, 2021 \$427,735 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, 2020.

Date of Instrument	Face Amount	Rate	Balance 12/31/2021	Maturity
2/4/1994	\$ 50,000	5.00%	\$ 23,109	1/1/2032
6/4/2019	643,954	1.375%	584,830	6/4/2059
Total	<u>\$ 693,954</u>		\$ 607,939	
Less: Current			(21,943)	
Long-Term			<u>\$ 585,996</u>	

ELLINGER SEWER AND WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 – DEBT (CONTINUED)

Changes in Outstanding Debt

Transactions for the year ended December 31, 2021, are summarized as follows:

	Balance 12/31/20	Additions	Retirements	Balance 12/31/21
USDA Rural Development #3	\$ 24,811	\$ -	\$ (1,702)	\$ 23,109
USDA Rural Development #5	389,968	216,219	(21,357)	584,830
Total	<u>\$ 414,779</u>	<u>\$ 216,219</u>	<u>\$ (23,059)</u>	<u>\$ 607,939</u>

The principal due for the years ending December 31, is as follows:

2022	\$ 21,943
2023	22,313
2024	22,692
2025	23,080
2026	23,476
2027-2031	123,679
2032-2036	119,337
2037-2041	127,308
2042-2046	124,111
Total	<u>\$ 607,939</u>

NOTE 7 – FIXED ASSETS

The following is a summary of changes in general fixed assets:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Water & Sewer System	\$ 271,649	\$ -	\$ -	\$ 271,649
Equipment	31,029	-	-	31,029
Buildings and Improvements	11,720	-	-	11,720
Land	42,390	-	-	42,390
Construction in Progress	230,045	271,243	-	501,288
Total Assets	<u>586,833</u>	<u>271,243</u>	<u>-</u>	<u>858,076</u>
Accumulated Depreciation				
Water and Sewer System	(173,727)	(7,819)	-	(181,546)
Equipment	(31,029)	-	-	(31,029)
Buildings and Improvements	(11,720)	-	-	(11,720)
Total Accumulated Depreciation	<u>(216,476)</u>	<u>(7,819)</u>	<u>-</u>	<u>(224,295)</u>
Total Assets-Net	<u>\$ 370,357</u>	<u>\$ 263,424</u>	<u>\$ -</u>	<u>\$ 633,781</u>

Depreciation expense charged to operations for 2021 was \$7,819.

**ELLINGER SEWER AND WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 – GALLONS PUMPED AND PURCHASED

For the year ending December 31, 2021, the following gallons were reported.

Total Gallons Pumped	9,482,000
Gallons Purchased	<u>7,216,900</u>
Gallons Lost	2,275,100

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through November 2, 2023, the date the financial statements were available to be issued.



TRLICEK & CO., P.C.

Certified Public Accountants

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

To the Board of Directors
Ellinger Sewer and Water Supply Corporation
P.O. Box 130
Ellinger, Texas 78938

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ellinger Sewer and Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ellinger Sewer and Water Supply Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ellinger Sewer and Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellinger Sewer and Water Supply Corporation's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Tillich & Co., P.C.

La Grange, Texas
November 2, 2023