

**LEROY-TOURS-GERALD**

**WATER SUPPLY CORPORATION**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2023 and 2022**

**LEROY-TOURS-GERALD  
WATER SUPPLY CORPORATION**

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of  
Leroy-Tours-Gerald Water Supply Corporation  
Leroy, Texas

Management is responsible for the accompanying financial statements of the Leroy-Tours-Gerald Water Supply Corporation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, other changes in net assets without donor restrictions, and cash flows for the years then ended, and the related notes to the financial statements in accordance with the accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Evelyn R. Pareya

February 26, 2024

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
December 31, 2023 and 2022

	<u>12/31/2023</u>	<u>12/31/2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted:		
Cash on hand	\$ 400.00	\$ 400.00
Citizens State Bank - checking	178,418.88	127,818.43
Citizens State Bank - Equity Development	91,588.51	100,428.34
Citizens State Bank - Money Market account	40,295.83	46,432.74
Citizens State Bank - Debit Card Account	367.69	564.46
PointWest Bank	<u>45,000.00</u>	<u>0.00</u>
Total Cash and Cash Equivalents - Unrestricted	356,070.91	275,643.97
Short-Term Investments:		
Citizens State Bank - Certificates of Deposit	147,433.42	144,273.60
Total Short-Term Investments	<u>147,433.42</u>	<u>144,273.60</u>
Other Current Assets:		
Supplies Inventory	5,000.00	5,000.00
Accounts Receivable	<u>58,810.49</u>	<u>58,513.19</u>
Total Other Current Assets	<u>63,810.49</u>	<u>63,513.19</u>
 TOTAL CURRENT ASSETS	 <u>567,314.82</u>	 <u>483,430.76</u>
 OTHER INVESTMENTS	 1,500.00	 1,500.00
 PROPERTY AND EQUIPMENT, NET	 991,093.33	 934,398.50
RESTRICTED ACCOUNTS		
Reserve Accounts - Members Choice Credit Union	76,758.58	75,765.61
ARPA Funds - Point West Bank	<u>804,724.71</u>	<u>-</u>
TOTAL RESTRICTED ACCOUNTS	<u>881,483.29</u>	<u>75,765.61</u>
 TOTAL ASSETS	 <u>\$ 2,441,391.44</u>	 <u>1,495,094.87</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 13,137.28	\$ 14,908.96
Accrued Interest	268.28	366.60
Notes Payable	65,577.23	8,831.85
Deposits Payable	<u>512.10</u>	<u>512.10</u>
TOTAL CURRENT LIABILITIES	79,494.89	24,619.51
LONG TERM LIABILITIES		
Notes Payable	<u>93,004.97</u>	<u>207,827.48</u>
TOTAL LIABILITIES	<u>172,499.86</u>	<u>232,446.99</u>
NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Memberships Par Value	101,285.00	96,935.00
Cumulative Excess of Revenue Over Expenditures	1,073,934.73	970,347.88
Contributed Capital	<u>288,947.14</u>	<u>195,365.00</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,464,166.87	1,262,647.88
WITH DONOR RESTRICTIONS		
ARPA Grant Funds	<u>804,724.71</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,268,891.58</u>	<u>1,262,647.88</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 2,441,391.44</u>	 <u>\$ 1,495,094.87</u>

See accompanying notes and independent accountant's compilation report.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
STATEMENT OF ACTIVITIES  
REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS  
For the Year Ended December 31, 2023 and 2022

	YEAR ENDED 12/31/2023			YEAR ENDED 12/31/2022
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS
<b>REVENUE:</b>				
Revenues from contracts with customers:				
Water Sales	\$ 560,422.21	\$ 560,422.21	\$ 560,422.21	\$ 531,419.24
Connection Fees	27,426.86		27,426.86	14,335.11
Upfront Capital Fees	22,400.00		22,400.00	19,200.00
Late Charges	12,240.00		12,240.00	11,220.00
Water Distribution Well Fees	1,621.27		1,621.27	1,581.94
Water Distribution Fees	1,446.65		1,446.65	1,524.29
Hydraulic Fees	1,300.00		1,300.00	2,750.00
Other Charges	30.00		30.00	115.00
Miscellaneous Income	415.00		415.00	1,065.52
Other Revenue:				
Interest Income	4,679.62	2,750.31	7,429.93	1,917.69
Miscellaneous Income	84,433.05		84,433.05	-
ARPA Grant Revenue	-	914,152.54	914,152.54	-
Other:				
Restrictions satisfied by construction expenditures	112,178.14	(112,178.14)	-	-
<b>TOTAL REVENUE</b>	<b>828,592.80</b>	<b>804,724.71</b>	<b>1,633,317.51</b>	<b>585,128.79</b>
<b>EXPENSES</b>				
Program Services	601,535.81		601,535.81	472,267.84
Management and General	29,888.00		29,888.00	32,161.96
<b>TOTAL EXPENSES</b>	<b>631,423.81</b>	<b>-</b>	<b>631,423.81</b>	<b>504,429.80</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENSES FROM OPERATING ACTIVITY</b>	<b>197,168.99</b>	<b>804,724.71</b>	<b>1,001,893.70</b>	<b>80,698.99</b>
<b>PROCEEDS FROM SALES OF MEMBERSHIPS</b>	<b>4,350.00</b>	<b>-</b>	<b>4,350.00</b>	<b>3,600.00</b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>201,518.99</b>	<b>804,724.71</b>	<b>1,006,243.70</b>	<b>84,298.99</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>1,262,647.88</b>	<b>-</b>	<b>1,262,647.88</b>	<b>1,178,348.89</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 1,464,166.87</b>	<b>\$ 804,724.71</b>	<b>\$ 2,268,891.58</b>	<b>\$ 1,262,647.88</b>

See accompanying notes and independent accountant's compilation report.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSE  
For the Years Ended December 31, 2023 and 2022

	Year ended December 31, 2023			Year ended December 31, 2022		
	Program Service	Management and General	Total	Program Service	Management and General	Total
EXPENSES:						
Depreciation Expense	\$ 66,354.00		\$ 66,354.00	\$ 66,475.00		\$ 66,475.00
Repairs and maintenance	223,572.57		223,572.57	111,707.95		111,707.95
Utilities	53,641.73		53,641.73	46,708.92		46,708.92
Office Supplies & Postage	10,850.51		10,850.51	11,541.35		11,541.35
Salaries & Services	110,919.63		110,919.63	100,880.76		100,880.76
Water Reservation Charges	41,772.96		41,772.96	41,772.96		41,772.96
Contracted Services	13,327.50		13,327.50	15,090.00		15,090.00
Water Treatment & Testing	2,372.88		2,372.88	3,212.97		3,212.97
Engineering Fees	3,873.75		3,873.75	3,613.75		3,613.75
Payroll Taxes	8,786.34		8,786.34	8,047.66		8,047.66
Supplies	762.76		762.76	3,098.25		3,098.25
Accounting Fees	-	3,680.00	3,680.00	-	3,480.00	3,480.00
Legal Fees	-	25,908.00	25,908.00	-	26,240.00	26,240.00
Insurance	21,200.75		21,200.75	20,739.00		20,739.00
Interest Expense	9,017.55		9,017.55	11,774.37		11,774.37
Vehicle Expense	9,538.69		9,538.69	10,142.82		10,142.82
Telephone	5,305.82		5,305.82	4,156.94		4,156.94
Rentals	-	300.00	300.00	-	925.00	925.00
Miscellaneous	1,046.08		1,046.08	914.73	1,516.96	2,431.69
Uncollectable accounts	4,517.88		4,517.88	2,111.16		2,111.16
Security Expense	2,327.45		2,327.45	1,920.01		1,920.01
Dues, Fees, & Assessments	12,346.96		12,346.96	8,359.24		8,359.24
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 601,535.81</b>	<b>\$ 29,888.00</b>	<b>\$ 631,423.81</b>	<b>\$ 472,267.84</b>	<b>\$ 32,161.96</b>	<b>\$ 504,429.80</b>

See accompanying notes and independent accountant's compilation report.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS  
For the Years Ended December 31, 2023 and 2022

	WITHOUT DONOR RESTRICTIONS				Total Net Assets With Donor Restrictions
	Memberships Par Value	Cumulative Excess of Revenue Over Expenses	Contributed Capital	Total Net Assets Without Donor Restrictions	
Balance at January 1, 2022	\$ 93,335.00	\$ 871,052.89	\$ 213,961.00	\$ 1,178,348.89	\$
Sale of memberships	3,600.00			3,600.00	
Excess of revenue (under) expenses		80,698.99		80,698.99	
Depreciation of assets financed by capital grants		18,596.00	(18,596.00)	-	
Balance at December 31, 2022	<u>\$ 96,935.00</u>	<u>\$ 970,347.88</u>	<u>\$ 195,365.00</u>	<u>\$ 1,262,647.88</u>	<u>\$</u>
Sale of Memberships	4,350.00			4,350.00	
Excess of revenue over expenses		84,990.85	112,178.14	197,168.99	804,724.71
Depreciation of assets financed by capital grants		18,596.00	(18,596.00)	-	
Balance at December 31, 2023	<u>\$ 101,285.00</u>	<u>\$ 1,073,934.73</u>	<u>\$ 288,947.14</u>	<u>\$ 1,464,166.87</u>	<u>\$ 804,724.71</u>

See accompanying notes and accountant's compilation report.

LEROY-TOURS-GERALD SUPPLY CORPORATION  
Statement of Cash Flows  
Years Ended December 31, 2023 and 2022

	<u>Year Ended</u> <u>12/31/2023</u>	<u>Year Ended</u> <u>12/31/2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Results of operations	\$ 197,168.99	\$ 80,698.99
Adjustments to reconcile increase in unrestricted membership equity to net cash provided by operating activities:		
Depreciation	66,354.00	66,475.00
Interest earned and added to short-term investments	(3,159.82)	(1,471.55)
Interest earned and added to reserve accouts	(992.97)	0.00
(Increase) Decrease in Operating Assets		
Accounts Receivable	(297.30)	(10,096.84)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(1,771.68)	(1,302.45)
Accrued Interest	<u>(98.32)</u>	<u>(103.57)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>257,202.90</b>	<b>134,199.58</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in fixed assets	(123,048.83)	(56,378.06)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Debt (Reduction) Increase	(58,077.13)	(59,834.06)
Increase (Decrease) in memberships	<u>4,350.00</u>	<u>3,600.00</u>
<b>NET CASH (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b><u>(53,727.13)</u></b>	<b><u>(56,234.06)</u></b>
<b>NET INCREASE IN CASH</b>	<b>80,426.94</b>	<b>21,587.46</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b><u>275,643.97</u></b>	<b><u>254,056.51</u></b>
<b>CASH AT END OF YEAR</b>	<b>\$ <u><u>356,070.91</u></u></b>	<b>\$ <u><u>275,643.97</u></u></b>
<u>Supplemental cash flow disclosure:</u>		
Interest expense paid during year	\$ 9,100.31	\$ 11,877.94

See accompanying notes and independent accountant's compilation report.



# LEROY-TOURS-GERALD WATER SUPPLY CORPORATION

## Notes to Financial Statements

December 31, 2023

### Note 1 – Summary of Significant Accounting Policies

#### Nature of Organization:

Leroy-Tours-Gerald Water Supply Corporation is a not-for-profit organization exempt from federal income tax under Section 501(c) (12) of the Internal Revenue Code. It was organized in 1958 for the purpose of providing a water supply to its member customers in McLennan County, Texas and the surrounding areas. The Corporation's operating policies, rates, and regulations are adopted by a Board of Directors, who are elected by members of the Corporation.

#### Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with general accepted accounting principles, and accordingly, reflect all significant receivables, payables, and other liabilities. The accrual basis of accounting recognizes revenue when it is earned, and expenditures in the accounting period in which the liability incurred, if measurable.

#### Financial statement presentation:

The Corporation is required to report information regarding its financial position and activities to two classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Without donor restrictions – Net Assets available for use in general operations and not subject to donor restrictions.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Board and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Historically, these net assets primarily consist of net assets without donor restrictions such as membership fees, surplus, and retained earnings. Surplus represents capital contributed by each new member upon joining the Corporation in an effort to offset the cost of putting the water line and meter into service. In 2023, the Corporation received grant funds from the American Rescue Plan Act of 2021 (ARPA) that are restricted for certain purposes. Therefore, at December 31, 2023, the Corporation has Net Assets with Donor Restrictions in the amount of \$ 804,724.71.

#### Cash and cash equivalents:

For purposes of the statement of cash flows, the Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

#### Investments

Short-term investments consist of certificates of deposit with original maturities ranging from six to twelve months, carried at fair value. The fair value of investments in certificates of deposit is estimated as the principal amount of the certificate plus accrued interest, which approximates fair value because the certificates mature in one year or less. Other investments consist of one share of stock in a regional water supply purchased by the Corporation at a cost of \$ 1,500.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
Notes to Financial Statements  
December 31, 2023

Accounts Receivable:

The corporation bills for water usage ascertained by meter readings at the end of each month. The corporation uses the direct write-off method for uncollectable accounts. Accounts receivable are stated at the amount management expects to collect from outstanding balances. This is a reasonable approximation due to the fact that an advance deposit usually larger than the bill is held and that a speedy disconnection of service follows non-payment.

Membership Fees:

Membership fees paid by new members to the Corporation consist of the par value of \$ 300 and an upfront capital fee of \$1,600. Each member is entitled to one vote upon membership qualification and payment of the membership fees. Memberships contain no right of dividend and are non-transferable except under certain circumstances, without compensation, related to the allowable transfer of service.

Use of estimates:

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

Income Taxes:

The Corporation is exempt from federal income taxes under Section 501©(12) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the financial statements. The tax years ending December 31, 2020 and later remain subject to examination.

Property, Plant, and Equipment:

Property, plant, and equipment are recorded at cost. Depreciation is computed using the straight - line method over estimated useful lives of five to thirty years. The Corporation considers the useful life and the cost of the asset in determining whether an asset should be capitalized. Typically, maintenance and repairs are charged to expense as incurred and major additions to property or betterments that would extend the useful life are capitalized. All assets of the Corporation are pledged as collateral for two notes payable to United States Department of Agriculture, Rural Development.

Functional Allocation of Expenses:

The costs of providing the various program and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

Revenue Recognition

The Corporation's revenue is generally from water sales and providing services to its customers. Revenue is recognized when the water is consumed by the customer and other sales or services are recognized when the product is delivered or service is provided.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
Notes to Financial Statements  
December 31, 2023

Cash Reserve

The Corporation is required by provisions of loan agreements with the United States Department of Agriculture, Rural Development to maintain a cash reserve, the purpose of which is to provide a source of funds for debt repayment in the event normal operations income is not sufficient. Other withdrawals from this cash reserve are allowed for items of a nonrecurring, unusual nature, provided advance notice is given to Rural Development.

Note 2 - -Property and Equipment

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	<u>12-31-23</u>	<u>12-31-22</u>
Equipment	\$ 19,640.10	\$ 18,990.11
Well & Distribution System	2,707,940.82	2,703,040.82
Construction in Progress	215,104.75	209,784.05
Construction in Progress-ARPA Funds	112,178.14	0.00
Office & Warehouse	56,047.81	56,047.81
Land	<u>47,104.09</u>	<u>47,104.09</u>
Total Property & Equipment	3,158,015.71	3,034,966.88
Less accumulated depreciation	<u>(2,166,922.38)</u>	<u>(2,100,568.38)</u>
Net Property & Equipment	<u>\$ 991,093.33</u>	<u>\$ 934,398.50</u>

Depreciation expense as of December 31, 2023 and 2022 was \$ 66,354.00 and \$ 66,475.00.

Capital asset activity during the year included line improvements and meter installations for new customers. Funding for the meter installations was provided by customer fees. Line improvements were funded by the corporation and grant funds received from McLennan County American Rescue Plan Act.

Note 3 – Notes Payable

Long-term liabilities consist of the following:

	<u>12-31-23</u>	<u>12-31-22</u>
Owed to U.S.D.A., Rural Development:	\$ -	\$ 1,411.47
4.75% Mortgage Note Payable, loan 91-08 (payable in monthly installments of \$ 5,976)	158,582.20	215,247.86
Total Owed	<u>158,582.20</u>	<u>216,659.33</u>
Less current portion	<u>(65,577.23)</u>	<u>(8,831.85)</u>
Total Long-Term Portion	<u>\$ 93,004.97</u>	<u>207,827.48</u>

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
Notes to Financial Statements  
December 31, 2023

Future scheduled maturities of long-term debt are as follows:

<u>Year Ended</u>	USDA Rural Development		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
December 31, 2024	\$ 6,134.77	\$ 65,577.23	\$ 71,712.00
December 31, 2025	2,931.19	68,780.81	71,712.00
December 31, 2026	245.56	24,224.16	24,469.72

Note 4 – Availability and Liquidity

The Corporation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investments of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents.

In addition to financial assets available to meet general expenditures over the next twelve months, the Corporation anticipates collecting sufficient revenue to cover general expenditures.

The following represents the Corporation’s financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>12/31/2023</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 356,070.91
Accounts Receivable	<u>58,810.49</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>414,881.40</u></u>

Note 5 – Evaluation of Subsequent Events

The corporation has evaluated subsequent events through February 26, 2024, the date which the financial statements were available to be issued, to determine whether there are any subsequent events to merit inclusion in these financial statements.

Note 6 – Contract Assets and Liabilities

Contract assets consisting of accounts receivable was \$ 58,810.49 and \$ 58,513.19 as of December 31, 2023 and 2022, respectively. No contract liabilities existed as of December 31, 2023 and 2022.

LEROY-TOURS-GERALD WATER SUPPLY CORPORATION  
Notes to Financial Statements  
December 31, 2023

Note 7 – Water Purchase Obligation

In 2020, the Leroy-Tours-Gerald Water Supply Corporation, as purchaser, entered into an agreement with the City of Waco, Texas whereby the City of Waco agrees to reserve 200,000 gallons per day of raw water available for the supply of treated water to the purchaser for the initial term of the agreement which began January 1, 2020 and extends to September 30, 2045. As purchaser, the Leroy-Tours-Gerald Water Supply Corporation is committed to the payment of a monthly raw water reservation charge in the amount of \$ 3,481.08.

Note 8 – Concentrations of Risk

The Leroy-Tours-Gerald Water Supply Corporation maintains an interest-bearing operating account, several savings accounts, and certificates of deposit at three different financial institutions. As of December 31, 2023, the account deposits at Citizens State Bank totaled \$ 458,504.33. Deposits are insured up to at least \$ 250,000 per depositor, per FDIC-insured bank, per ownership category. Therefore, the Corporation's deposits exceeded the insured limit at Citizens State Bank. Account deposits at PointWest Bank totaled \$ 849,724.71. These balances are entirely covered by federal depository insurance coverage or by collateral held by the Corporation's custodial bank and pledged in the Corporation's name.